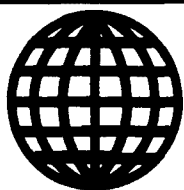


JPRS-EER-90-012  
31 JANUARY 1990



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# ***JPRS Report***

## **East Europe**

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SPRINGFIELD, VA. 22161

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# East Europe

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## CZECHOSLOVAKIA

### CPCZ Democratic Forum Not Satisfied With Congress

90EC0192A Prague RUDE PRAVO in Czech  
23 Dec 89 p 2

[Statement of the Communist Democratic Forum on the extraordinary congress of the CPCZ]

[Text] The editors of the RUDE PRAVO received the following statement from the Communist Democratic Forum:

There is considerable dissatisfaction within the Communist Democratic Forum with the results of the congress—as far as the level of the proceedings and the results of the elections of leading representatives are concerned. The dissatisfaction prevails in Prague and in other large cities, as well as in the countryside.

The question is, what is the result of mere unpreparedness and confusion in the proceedings and what is the product of the inability to step beyond one's own shadow.

But we can also see positive moments in the congress. For example, the differentiation of views accelerated, which will certainly lead to the same movement within the membership base. That is a fundamental prerequisite for the introduction of democracy into the party.

It must also be noted that, for instance, the new rules create better conditions for the work of the Communist Democratic Forum and possibly also for other groups and currents which may spring up within the party. These rules respect the rights of the minority and create opportunities for the activities of various clubs and platforms. We expect that this will create conditions in the party for a new generation of future politicians to mature.

The Communist Democratic Forum wants to develop radical reform elements of the new direction as a foundation for the reconstruction of the Left. It reserves the right to understand this Left much more broadly, making an effort to capture the best forces in the country regardless of their party affiliation, and it is ready, should it become necessary, to serve as the nucleus of a new party base.

We also derive lessons from the congress—for example, as far as the complexities of conditions within the CPCZ apparatus are concerned. These workers are up against the wall because of the longtime policies of the old leadership. Social safeguards will have to be considered and their problems fairly resolved.

We do not believe that the congress will fulfill the hopes of the party public. We are afraid that it will precipitate a new wave of returns of party membership cards. We beseech those comrades who are intending to do that to think it over.

Whatever they decide, we shall be glad to welcome them to the Communist Democratic Forum, and we shall endeavor to provide conditions for good cooperation.

At the same time we call on all communists to establish, in the spirit of the adopted rules, basic organizations composed of adherents of the Communist Democratic Forum, possibly even cells inside basic organizations.

We want to think about how to proceed further together at the state-wide meeting of the Communist Democratic Forum on 6 January 1990 in Prague.

### New CPCZ Control Commission Elected

90EC0193B Prague RUDE PRAVO in Czech  
23 Dec 89 p 3

[Text]

### Members of the Central Control and Audit Commission Elected at the Extraordinary Congress of the CPCZ on 21 December 1989

Karel Urbanek, 48, Chairman of the CPCZ Central and Audit Commission

#### Prague City

Josef Mecl, 49, professor, Law School of Charles University, Prague

Jaroslav Ungerman, 38, official of the State Planning Commission, Prague 7

#### Central Bohemian Kraj

Oldrich Suchoradsky, 44, director of elementary school Rozdalovice, Nymburk district

#### South Bohemian Kraj

Miloslav Kurka, 40, blacksmith, Unified Agricultural Cooperative Ckyne, Prachatic district

Stanislav Kyslik, 49, tractor operator, Unified Agricultural Cooperative Breznice, Tabor district

#### North Bohemian Kraj

Milan Langer, 38, chief physician of the stomatology department NsP [as published] Roudnice nad Labem, Litomerice district

Bedrich Hajek, 42, technician, Nastup Mines, Concern Enterprise, Tusimice, Chomutov district

#### East Bohemian Kraj

Vladislav Sedivy, 37, manager of the District Highway administration center, Hradec Kralove

Radomila Pirkova, 37, machinery operator, Czechoslovak National Railroads, MZ Borohradek, Rychnov nad Kneznou district

#### South Bohemian Kraj

Frantisek Rehorek, 36, tool-maker, state enterprise Agrozet, Prostějov

**Petr Kubu**, 32, third-year student, Law School, University of Jan Evangelista Purkyně, Brno-town district

#### North Bohemian Region

**Karel Janak**, 36, mine rescue member, Mine Rudy Rijen, Ostrava

**Miroslav Milata**, 40, miner, CSM mines, Stonava, Karvina district

#### Bratislava City

**Jozef Pauco**, 36, locksmith, KABLO, Gumon works, Bratislava 1

**Miroslav Jasik**, 39, secretary of the HV KSS at MVZP SSR [as published]

#### West Slovak Kraj

**Jan Bielko**, 38, blacksmith, Railroad Repair and Machine Shops, Trnava

**Peter Guzmicky**, 33, foreman, United Agricultural Cooperative Ivanka, Nitra district

#### Central Slovak Kraj

**Jozef Sauer**, 46, director of concern enterprise Bana, Velky Krtis

**Imrich Michel**, 39, laborer, Ball Bearing Plant Zilina

#### East Slovakia Kraj

**Vlasta Sabolova**, 34, zoo technician, United Agricultural Cooperative Bidovce, Kosice-provinces

**Jan Basanda**, 33, fitter, Vihorlat, Michalovce

#### Proposed by the CPS Central Control and Audit Commission to the CPCZ Central Control and Audit Commission

**Jan Demikat**, 38, chairman of the CPS Control and Audit Commission

**Milan Sabol**, 43, deputy chairman of the CPS Control and Audit Commission

#### Czechoslovak Peoples' Army and the Federal Ministry of Interior

**Jan Hendrych**, 40, state employee, Prague

#### CPCZ Sets New Membership Dues

90EC0192B Prague RUDE PRAVO in Czech  
23 Dec 89 p 2

[Text] The extraordinary congress of the CPCZ approved a scale of payments of CPCZ membership dues effective 1 December 1989. Following is the scale and explanation.

#### Scale of Membership Dues:

- for earnings up to Kcs 1,800 the dues are Kcs 1.00,
- for earnings from Kcs 1,801 to Kcs 2,200 the dues are Kcs 2.00,
- for earnings from Kcs 2,201 to Kcs 2,600 the dues are Kcs 4.00,

- for earnings from Kcs 2,601 to Kcs 2,800 the dues are Kcs 10.00,
- for earnings from Kcs 2,801 to Kcs 5,000 the dues are 1 percent of net earnings,
- for earnings above Kcs 5,00 the dues are 2 percent of net earnings.

#### Explanation of Payment of CPCZ Membership Dues

I. The basis for calculating the membership dues includes the following:

1. Total net earnings (including quarterly, half-yearly or yearly bonuses, wage refunds and compensation, and amount of health insurance benefits paid during temporary disability).

2. Members who work abroad for more than 3 months pay membership dues to the CPCZ Central Committee out of the total of all net earnings, in Kcs when wages are paid in CSSR and in foreign currency if paid in foreign currencies. If their stay abroad is less than 3 months, they pay membership dues to their basic organization out of earnings which they receive in KCS.

3. In the case of earnings to which other members of the family also contribute, the committee of the CPCZ basic organization will estimate the share of earnings for calculating the amount of membership dues which applies to the member.

II. The following is not included in the calculation of membership dues:

1. Bonuses given on the occasion of life and employment anniversaries or retirement, awarding of honors, honorary titles, medals, badges of merit, and shares in economic results and honoraria.

2. Reimbursement for official expenses, safety equipment and work clothes, allowances in kind, insurance reimbursements, as well as various premium payments for worsened work conditions and work in dangerous work places.

3. Supplementary payments for children and education, and widows' and orphans' annuities.

4. One-time compensation for illness incurred at work, injury, one-time membership drive, loyalty, and social contributions and support.

5. Bonuses for overtime and performance contracts.

III. The membership meeting of the CPCZ basic organization has the right to approve in special cases with regard to the total earnings of the member individual relief in payments of membership dues in hardship cases and for members with long-term illnesses.

IV. Of the total income from membership dues, 30 percent is retained to cover the necessary costs of the basic organizations of the party. The basic organizations transfer 70 percent of the total income from membership dues to the district committee of the CPCZ, which

defrays out of these funds the costs of the activities of the district party organization, and if necessary provides subsidies to basic party organizations with low incomes.

V. With regard to the chosen assessment of membership dues, the extraordinary congress agreed to discontinue the validation stamp system.

VI. To create in 1990 by means of gifts, collections, brigades, etc., an election fund. To issue a Congress stamp with the purpose of earning the necessary funds for defraying the costs of the regular 18th Congress.

VII. The extraordinary congress of the CPCZ charges the newly elected Central Committee with preparing for the regular 18th Congress of the CPCZ a proposal for new rules for paying membership dues. This proposal to be submitted prior to the Congress to a party-wide discussion.

For members who are not wage-earners (pensioners, students, housewives, etc.)—Kcs 1.00.

#### **New Christian Democratic Party Established**

*90EC0193A Prague LIDOVA DEMOKRACIE in Czech  
27 Dec 89 p 1*

[Report on the establishment of a new Christian Democratic Party by (bes): "In the Spirit of Ecumenism and Humanity"]

[Text] More than 500 people of all ages met yesterday afternoon in the National House in Prague-Smichov for the inaugural meeting of the Christian Democratic Party. Presiding was a steering committee consisting of Dr Z. Susa, Eng J. Jelinek, Eng J. Cuhra, M. Primas, Eng M. Tyl, P. Burian, M. Freiova, and Dr V. Benda who opened the meeting.

In the introduction he explained the relation of this newly emerging party to the Civic Forum, and emphasized that the members of the steering committee were among the co-founders of that structure even before the party was founded. For the time being they intend to be part of the Civic Forum until there is enough room for a free activity of parties, because that structure provides them with a guarantee to liquidate the totalitarian system which prevailed in our country for more than 40 years.

He read a letter of greeting which was sent to the inaugural meeting by the representatives of the Czechoslovak People's Party—Party Chairman J. Bartoncik, deputy chairmen B. Svoboda and F. Reichel, and secretary R. Sacher. He called on the meeting to approve a kind and friendly reply to the Czechoslovak People's Party leadership. He said that the members of the steering committee carefully considered whether the establishment of a new party would cause a fragmentation of the political forces of Christian-oriented people, and they arrived at the conclusion that it will not. From the beginning they conceived this party as a party strictly

non-socialist and non-denominational, and they believe that in the future this party and the Czechoslovak People's Party will converge.

Following the announcement of the program of the Christian Democratic Party, which states that the party is open to all Christians and to people for whom the Christian morality is the main guiding principle of life in our society, the discussion began. Individual participants recounted the principles of Christian humanism, they spoke in favor of teaching religion, they brought up points which in their view were missing in the program. The suffering and hardships of those who represented the ideas of Christian democracy in the fifties were also remembered.

Following the discussion the program was approved to be in effect until the conference which will take place before March 1990 and an 11-member executive committee was elected by secret ballot, consisting of: V. Benda, P. Burian, J. Cuhra, M. Freiova, M. Holecck, J. Jelinek, M. Tyl, J. Litomysky, T. Kvetak, H. Kratky, and Z. Susa.

During a break in the proceedings of the inaugural meeting we came upon V. Urban, vicar of the Czechoslovak Hussite Church from Tabor, who was just signing up for membership in the Christian Democratic Party. To the question what brought him into this party, he replied: "I expect that this party will gather the intellectual potential characterized by Christian values and will steer also other intelligentsia toward these values, which is very important for our country. I am drawn to this party above all by its practical ecumenism."

#### **POLAND**

#### **Disputes Mark Debate Over Solidarity Future as Trade Union**

*90EP0175A Warsaw POLITYKA in Polish  
18 Nov 89 p 3*

[Article by Jagienka Wilczak: "Reflections on Purity: Leczna—Will There Be Room for Solidarity in the New Economic Structure?"]

[Text] The Second International Trade Union Seminar, the topic of which was "The Trade Union: Revindictory or Co-Managing?", was organized in Leczna near Lublin by the Solidarity NSZZ Provisional Central-Eastern Region Board in Lublin. Among those who presented reports were: Andrzej Wielowieyski, Bronislaw Geremek, Adam Michnik, Andrzej Lulek, Mieczyslaw Zielinski, Fr Franciszek Kampka and Adam Stanowski. Western delegates of trade union central offices in France, Belgium, Sweden and Italy attended.

Those who had expected vehement disputes left Leczna after the meetings having seen such disputes. Those who had counted on seeing some kind of formula produced were disappointed at the outcome. No unambivalent or

unified answer had been given to the question: What kind of union will it be—one that is revindictory or one that shares in management?

From the discussion, it emerged that both revindication and co-management have several different meanings. Some were of the opinion that revindication refers exclusively to the area of salaries. Others would prefer a wider scope for it: to revindicate the content of education or culture, nonmaterial values and eventually the model of the economic structure. In whatever domain, revindication for these people would constitute the basis and essence of activity of all union movements, which came into existence precisely to make demands. Now what kind of role has Solidarity filled in the past? From its very foundation, Solidarity declared itself a social movement. Beyond its union, revindictory functions, Solidarity had to function in 1980-81 Poland as a political entity as well. The times and the circumstances required it. During martial law and afterwards, the parameters of Solidarity activity became wider still. Solidarity became a citizen movement, broadened its base and found powerful support in non-labor and intellectual circles.

#### Let Political People Go Into the Field of Politics

As the roundtable discussions showed, the revindictory demands of Solidarity were perhaps least concerned with money. Much more was sought: it was a question of changing the political system. The whole process unfolded under the union banner. Very soon the citizens' committees rallied around the union banner as well, although their activity—which, like the union's, involved demands—concerned the political arena exclusively. Simultaneously, the relegalized Solidarity was faced with the necessity of rebuilding its structures, especially at the lowest levels, the factories. This proved to be a difficult task.

When "Lech's team" won the election, entered the Sejm, took over the Senate and then produced its own premier and ministers, Solidarity activists realized that in the new situation, revindication, making demands, was a little like biting your own tail. At that time, many of the union leaders posed the question about the place of the union and its identity. Having become identified with the government (authorities), it ceased to have a revindictory function. As a participant in government (although the premier and ministers are obliged to give up their union membership), Solidarity is understood by many to be co-managerial. When union leaders all over Poland became aware of the extent of the resistance to the rebuilding of union structures in the plants and saw that the "pre-war" membership total of 10 million was proving continually unmatchable, these leaders screamed that Solidarity was experiencing a profound identity crisis. Paradoxically, Solidarity is seen as a movement or an idea that has been victorious, but the price of its victory has been the weakening of Solidarity as a labor union. True, Walesa is reassuring. He says that everything is under control and that right now a union

that was long on revindictory pressure might damage the still frail structure of the new order. Many activists, however, see in the union's withdrawal from its basic revindictory functions and movement toward co-management the cause for the union crisis. "Therefore," the union leaders demand, "the union must make a clean break with politics and return to its pure form. Such a separation is a necessity."

In the opinion of these activists, Solidarity paid too high a price for committing itself in the political domain. The decision to create a network of citizens' committees under Solidarity's aegis and in conjunction with the union regional administrations represented a harsh union bloodletting, really an irreplaceable loss of union blood. "We lost our best people," they say. This is not the only cause of the crisis, but when the organizers of the seminar in Leczna conducted a survey asking the participants to state whether they feel themselves to be union people or activists of the citizens' movement, political people, the purely union current was found to constitute a minority. Meanwhile, Solidarity's political connections—so say activists—are a fundamental cause for hesitation or refusal when it comes to joining the union. "People are saying: identify yourselves. They want to know what they are joining, a union or a party." They reason that if a political, party movement is needed, let it grow up around the citizens' committees. Hands off the union. Louder and louder, it seems, there echoes the demand voiced for a long time now by the lower levels of union membership with regard to Walesa: declare yourself, Lech! There is also a universal expectation that a gathering of Solidarity will define the position of the union and will clear the air.

#### With Or Without the Solidarity Trademark

The matter of the citizens' committees and their right to the symbol and name of Solidarity proved to be still hot and unresolved as an issue. The KKW [National Executive Committee] decision, unambiguous and final as it was, is still bitterly attacked. People see in that decision fear on the part of the highest union echelons about losing governing power. That fear awakens an instinctive opposition. Decisions made by the highest authorities and not subject to appeal, regardless of whether they are made in Gdansk or Warsaw, are resisted, seen as an attack on personal freedom. You would think that a satisfying compromise could be reached on this issue. There are, after all, some committees that perform splendidly without the union name or symbol and feel a greater degree of independence from union structures, even though they do, after all, identify with the union idea. However, for some committees, the Solidarity symbol is indispensable. They argue: "Without it, we are powerless, sabotaged by the administration, for fundamentally it is still 'their' administration, 'their' government. They see across-the-board revindication as still necessary." At Leczna, Prof Bronislaw Geremek struck a sad note in owning up to his fears that the pure spring of Solidarity is drying up, that at a critical moment, the union experienced a lack of generosity among its people.

In place of generosity appeared fears about not gaining governing power. Prof Geremek stated that his opinion was that the citizens' committee movement ought to grow in association with Solidarity since we have in common the same program and the same world of values.

The issue of separating the political, citizens' movement from the trade union structure intimately involves the fundamental thread of thinking about identity and the question: a revindictory union or a co-managing one? Seemingly, Andrzej Wielowieyski, speaker of the Sejm, was not anxious either to make out its real significance for union members when he minimized the importance of the KKW decision. According to A. Wielowieyski, society identifies the Mazowiecki government, the citizens' committees, the deputies, the OKP [Citizens Parliamentary Club] senators and the trade union with Solidarity. It is co-management. However, Speaker Wielowieyski did admit that the need for the existence of a strong union is obvious: "A union is that force which concerns itself with the just distribution of burdens." If, in addition, the citizens' committees develop in conjunction with the union movement, an indirect means of participation in government will arise.

### Two Viewpoints

From the viewpoint of the speaker or the head of the parliamentary club, a strong trade union—co-managing and hence co-responsible—even if it is not a lightning rod, is a very convenient and necessary partner of the government. This is especially so when a parliamentary club, such as the OKP (by Prof Geremek's admission) feels itself suspended in a void because it has no support in the party structure. Such a partner defends employee interests by making a contract with the government that establishes the zones of the common good. The union Solidarity, which emerged out of a contract, can make the principle of negotiation the essence of union existence. According to B. Geremek, even where there is a split between the union movement and the social movement, Solidarity will never be a pure union. "It would be interesting to know what Frasiński would have to say about this," replied the unionists, accusing organizers of being excessively inclined in the non-union direction and omitting in the seminar program the current of those favoring a return to sources. Such a situation is unacceptable from the union position. A trade union cannot profess its identity and abandon its basic function of revindication. It is argued that "we have already tried the model of a co-managing union. That was the CRZZ [Central Council of Trade Unions] formula." In the opinion of Dr Andrzej Lulek, a KUL [Catholic University of Lublin] economist, the function of co-management in the centralist and socialist system in no way eliminates the basic conflicts occurring between the proprietor and the employee. The proof of this is the economic and political crises that have rocked Poland. The independent union movement that arose as a result of these conflicts has returned to its basic functions—

those of revindication, in both the economic and political spheres. Today, however, the revindictory model is as unacceptable as the co-management model. The OPZZ [All-Polish Trade Unions Agreement] stance, a typically Marxist one, is a classic example. The OPZZ attempts to grab out whatever it can, while maintaining unchanged forms of ownership. Such populist stances are appealing, but dangerous. And so, perhaps an either/or approach which calls for a revindictory union or a co-managed union is itself false.

### Order and Harmony

The social teaching of the church adds its input to the considerations of union identity. True, it is theoretical in nature and is slow to adapt to practice. The strike is the ultimate form of struggle and the ultimate road of revindication. The church does not advise it (nor does it forbid it). On the other hand, it proposes negotiations as a method of positive action, developing the model of the co-managed union. The union road should be free from force and violence. It should seek solutions through dialogue and substantive argumentation, taking into account the common good. Negotiations serve cooperation, while a strike situation thrusts the union into positions of exclusively making claims in battles over money and rubber boots. Negotiations, discussions and inquiries based on substantive argumentation are that method of operating which makes possible the full harmony of two basic trade union functions—revindication and participation, making demands and making proposals. Negotiations make possible the combining of these functions; those in authority, enterprise owners and workers should not battle, but should cooperate in an unbroken dialogue. After all, the capital and labor belong to them. "Thus, the trade union is both revindictory and co-managing," concluded clergyman Dr Franciszek Kampka, seeing co-management as a valid direction of aspirations. Revindication, of course, is demanding the implementation of man's inalienable rights, but abandoning a strike in favor of negotiation is an example of the operation of positive co-management. That is what the trade union wants to be today—co-responsible for society. The fate of unionists is the fate of that society. To co-manage is to create an indirect structure between authority and the worker. This structure, however, should not aim to become a political party, by nature competing to seize the authority. Co-management is implemented when the union continues to be an indirect structure applying pressure for the fulfillment of valid demands, but applying this pressure only through negotiation.

### The Union in the Private Sector

What will be the role of Solidarity in Poland with the free market and the free play of political forces? "In the first place," states Dr Michał Zieliński, economist, "Solidarity will be the 'mother of the party,' performing two tasks along the way: creating a system of local democracy and teaching behavior in democratic institutions." This signifies the end of Solidarity as a social movement. On the other hand, as an economic movement, Solidarity can and ought to prepare the universalization of individualized ownership. Its task is



to negotiate rules of privatization and terms of gaining ownership that are favorable to employees and will lead to the painless birth of employee shareholding. It may happen (or, rather, it certainly will happen) that Solidarity will have to perform yet another role: that of education and financial support. It must be reiterated to people that privatization is a process in which every person gains the possibility of becoming a co-owner.

Finally, Solidarity will come to be a pure trade union, a revindictory union, for only this is, by definition, the essence of trade unions (if we understand a union as an association of employees, the goal of which is to increase their bargaining power in negotiating labor's price and conditions with employers).

If we assume that in the sphere of ownership, we await a richer model composed of private enterprises and family, communal, state and cooperative companies, then this multiplicity of forms will reflect upon the functions of trade unions. Here, where the employer-employee relationship is maintained, the union will have to continue to perform the traditional protective and revindictory functions. In public and private companies, as stated by Andrzej Lulek, the self-limitation of the revindictory function of the union may occur, evoked by concern over the future of the firm: here exists the most complete identification of employee interests with plant interests. In the employee shareholding system, on the other hand, where labor is joined with ownership, the trade union, despite the fears of unionists, does not have to suspend activity at all. Its functions are considerably expanded. Dr Lulek even maintains that it is the very system of employee shareholding which will open a new field of union activity: "the union can become an active economic subject, upholding the policy of employee enfranchisement."

While the new structure in no way threatens to take away the protective-social or the revindictory functions, it does demand a more flexible formulation of functions from the union. The union must also be prepared for these functions.

Perhaps the most important observation in the discussion is the kind of union we are to have. For, as economists have noted, the improper use of the union's power threatens to block the process of access to the market economy and to destroy its mechanisms. As one of the activists said, it is a question of not replacing the dictatorship of the proletariat with a dictatorship by the proletariat.

### **Christian Democratic Oriented Parties Emerging on Political Scene**

90EP0213A Warsaw ZYCIE WARSZAWY in Polish  
4-5 Nov 89 p 3

[Article by Janina Paradowska: "The Course to the Right"]

[Text] "There are in Poland tendencies toward the restoration of the Christian Democratic Party. What do you think of this?"

"Such tendencies have emerged, and voices of that kind can be found in the press. The Christian Democratic Club was formed recently. I would like to say, however, that this demand has not been acknowledged by all priests and bishops. ... Christian Democratic Party is a name that promises much, but living up to that promise is very difficult, because every party gets entangled in a series of compromises. It is true that Christian democratic parties exist in the world, but this is a relic. ... A party based on a religious faith is justified when believers are at a disadvantage with respect to nonbelievers and need to be defended."

So spoke Tadeusz Myslik, vice chairman of the Polish Catholic Social Alliance, in an interview with TRYBUNA LUDU (8 Dec 1988).

"In January of this year, the Christian Social Association was transformed into the Christian Social Union. Was this the creation of a new political party? Something like a Christian Democratic party?"

"No. We think of ourselves as a social movement made up of Polish Christians. For many years, we have tried to represent not only Catholic circles, but also the other Christian denominations that are active in public life. We are, therefore, distant from the political traditions of Polish Christian Democrats, since in our society the idea of Christian democracy has always been bound up with the idea of the Catholic Pole."

That is the opinion of Wiktor Marek Leyk, vice president of the Christian Social Union, as he expressed it in PRAWO I ZYCIE (18 Feb 1989).

And here is one more pronouncement, this one from Janusz Zablocki in an interview with ZYCIE WARSZAWY (1 Jun 1989):

"One of the most important questions is how the Polish political scene's new shape relates to the future of the Christian Democrats? Do you have an answer?"

"Yes, I do. I believe they have a future in Poland."

"What real political premises speak in favor of the notion that the Christian Democratic movement will develop in Poland?"

"... in a country such as Poland, where the great majority of people consider themselves to be Catholics, there will be no shortage of parties of a Christian Democratic orientation desiring to act according to the principles of the Church's social teachings. ... With respect to the size of its potential base, of its social base, a Christian Democratic party has a chance of becoming a mass party. Of course, that is if its program hits upon widely perceived social needs and aspirations."

At least this many opinions can be fished out of press clippings from recent months. Now let's move to the facts.

In the 8 Oct 1988 issue of the weekly LAD, a declaration appeared from the Christian Democratic Club for Political Thought, which stated, among other things, the following: "Within the framework of the constitution that is in force in our country, we shall aspire, in a manner in accordance with the law, to introduce into the constitution's regulations changes that arise from the instructions of Catholic social teaching." Thirty people created the club, and the list of founders included the Nestors of Christian democracy (Prof J. Braun and the attorney, W. Sila-Nowicki) as well as representatives of the middle generation (the already cited J. Zablocki, the then deputy R. Bender, who, speaking in the Sejm, demanded the creation of a Christian democratic party, as well as Prof Z. T. Wierzbicki). In Feb 1988, the surviving senators from the SP [Labor Party], whose activities were made impossible after the war, decided to reactivate the SP. Wladyslaw Sila-Nowicki says: "In 1945-46, the Labor Party was a vigorously developing organization. Members were flowing in by the thousands. Fifty seats in the Sejm were proposed to them. We suspended activities by our own decision, and now we have recognized that political conditions allow for their resumption."

In the June elections, the party put out its own candidates. Among others, Janusz Zablocki, Wladyslaw Sila-Nowicki, and Ryszard Bender ran. They all lost. Those Christian Democrats who were on the lists of the Citizens Committee (one deputy and one senator) made it into the Sejm.

In September 1989, approximately 69 people, including representatives of the "Order and Freedom" clubs—which had their origins in the Young Poland Movement, the "Freedom and Solidarity" clubs, Catholic groups from the universities, and NZS [Independent Students Association]—met in Poznan and in Rokitno (in the Sanctuary of the Patiently Listening Holy Virgin). They initiated the creation of the Catholic National Union. The number of people who want to join the union is growing rapidly. People from various circles are joining. More than 300 founding members came to Warsaw on Oct 28 for the founding congress. That is still not everyone who declared a willingness to participate. Prof Wieslaw Chrzanowski, chairman of the Organizing Committee (and the main council's elected president), stated that the union has at least twice that many members, and there are signs that their numbers will increase, particularly among young people.

Is the union a Christian democratic party like the Labor Party that was created in 1937 as a result of the unification of Christian Democracy and the National Workers Party, and does it relate directly to that tradition? I confess that after listening to the discussions at the founding congress and observing the auditorium (among those present were many people, especially young people, displaying "the sword of Boleslaw the Bold"—the symbol of the National Democratic Party—wrapped in red and white ribbon, and also a representative of the

National Party in London, although the invited representative of the Christian Democratic Party did not come), I had doubts about what the real ideological orientation of the new party was.

On the other hand, however, it is in general difficult to answer the question of what Christian democratic parties are like today. Briefly, one could say that they are highly differentiated—from the left-leaning parties of South America to the centrist and right-leaning parties of Europe. This differentiation also finds its expression in international organizations. For example, the World Christian Democratic Union (Sila-Nowicki became one of its vice presidents at its last congress in Guatemala) is regarded as an organization that attracts classically Christian democratic parties. The European Democratic Union, headquartered in Vienna, groups together Christian and conservative parties. Professor Chrzanowski proposes yet another definition—they are pragmatic and practical. Also, many currents are included in the tradition of Polish Christian democracy. Consequently, all those who snarl at the political parties currently coming into being, which adapt historical costumes but do not join the present time, and those who believe that a new situation demands new solutions are surely right.

Professor Chrzanowski maintains that this very act of unification is an attempt to create such new solutions. Here is what he says about it: "The difference between us and the Labor Party is that the SP is an attempt to reactivate a historical party, while we believe that after a nearly fifty year break from political life a new formation is needed. We are not breaking off from the tradition of various political movements, but we believe that it is not possible to directly transfer the old patterns. We do not want to be the continuation of any single party, so that, in addition, the young people who are gathering around us will not become entangled in disputes that are already part of history."

Professor Chrzanowski also enumerates the political currents to which the union wants to appeal—Christian democratic, nationalist, independent (traditions inspired by Pilsudski), the part of the peasant movement inspired by Witos, and certain conservative traditions (the Krakow historical school and the Western conservative thinkers), which are becoming very popular among youth circles today. In the most general terms, the union wants to draw in various orientations ranging from the center to the right. Sila-Nowicki, president of the Labor Party, speaking of the center, adds that the SP is "further to the left" than the union. He adds at the same time, however, that the ideological differences are not so deep that there could not at some time in the future be a fusion of both of these groups that appeal to Christian democratic roots.

So let's stop for a moment at the ideological foundations. Wladyslaw Sila-Nowicki: "We are a party that is based in an integral way upon Christian principles. We are neither clerical nor dependent on the Church. I believe that there have been two great catastrophes in the twentieth

century—the departure from Christian morality in politics and the departure from democratic principles. We want to return to these values. The ideals of authentic socialism and Christianity are identical; only the methods of action are different. In economic affairs, we are for individual possession of land and for limiting the omnipotence of the state in economic life. We are for private property, but against unlimited privatization. Our strength has always been among craftsmen.”

To wrap up, I will quote Janusz Zablocki from the already cited interview in *ZYCIE WARSZAWY*: “If I had to devise a brief formula that would include what Christian democrats can contribute to the debate taking place over the future of our collective life, that would be the slogan ‘social market economy.’ That conception elaborated in Christian democratic circles of economists in the West contributed in the post-war years to the famed ‘economic miracle’ in West Germany, lifted the economies of Italy and the Benelux countries, and found its crowning achievement in the integration of the European Community and its blossoming in prosperity and freedom.”

Wieslaw Chrzanowski: “We are the opponents of ideological erosion. We recognize Christian values united with national values. John Paul II said that the nation answers the question of who it is with its own culture. Man is shaped by his deep roots in a full national tradition. We do not close our eyes on the processes of integration taking place in Europe and the world, but we stand closer to de Gaulle’s conception of Europe as ‘the fatherland of fatherlands’ than to a pan-European conception. We believe that patriotic feelings in Poland have been greatly strained during the last few decades. We are capable of experiencing great passions during periods of protest, but that passes quickly and the wave of emigration rises. Consequently, the union applies pressure to matters such as these: ties to a wide gamut of political traditions (the tradition of Christian democracy is one of these), appreciation of the importance of family and national traditions, and the connection of Christian and national elements. That situates us to the right of the Labor Party. For when it comes to economic affairs, we stand for a market economy and private property. The leftist approach that sets itself the goal of building an ideal system as well as unrestrained liberalism, which is the same sort of utopia as collectivism, are foreign to us. We want conduct of certain proportions and pragmatic behavior. In economic life, efficiency must count above all. The experiences of many countries show that small enterprises are the efficient ones, and so we are adherents of a wider dispersion of property and the reconstruction of the middle class. We are also adherents of the world economic policy of the state and its intervention in economic life when social considerations demand it.”

So many leaders. In the end, it comes to posing the question about the future of the parties that appeal to Christian democratic traditions. Research conducted in July of last year by CBOS [Public Opinion Research Center] said that 44 percent of those polled were for the creation of political representation having close ideological connections to the Church. It would seem then that

the atmosphere is favorable. Today’s reality: the Labor Party, according to the estimates of Sila-Nowicki, has assembled about one thousand people (the attorney speaks directly, “After the war there were thousands of us, now we are struggling for hundreds”). The union is developing dynamically enough and observers of the Polish scene talk about it as an initiative of the future. Without a doubt, it represents an attractive proposition for part of the young generation. The SP has problems in attracting young people. “We are in the process of being born,” says Sila-Nowicki, “we want to organize a conference in the middle of February when the situation will have cleared up.”

One question remains: Do the two parties that already exist completely represent Polish Christian democracy? I do not know whether one can answer that question unambiguously today. The Polish political scene is only just now forming itself. A year ago it still seemed that groups of a Christian democratic orientation would emerge from the Political Thought Club “*Dziekania*” (in reality, the “Voice of Antoni Macierewicz” circle—Macierewicz is now the vice chairman of the Christian National Union—grew out of “*Dziekania*” some time ago). Today “*Dziekania*” is falling apart and a pretty large group of its activists is heading more in the direction of Jozef Slisz’s PSL [Polish Peasant Party] “Solidarity”. There is no apparent inclination to create a party of a more Christian democratic nature. The words of Przemyslaw Hniedziewicz, the club’s acting president, taken from a meeting of activists that was held towards the end of August, are fairly characteristic:

“There exists in our country a tendency to refer—in the name of the continuum that was interrupted by the Second World War and its aftermath—to the old formulas and ideological identities. ... And yet Poland finds itself today in an unprecedented situation, in a period of historical crisis, in a process of evolution from Marxist party dictatorship to parliamentary democracy and a market economy. This is a completely new direction in the history of our society, and for that reason there are no patterns or models which can be used. Moreover, forty years of real socialism did not mark a historical break in the functioning of the state (as they did in the case of limited sovereignty) or of social life. There is no way at this turning point to not take these experiences—bad but real—into account.”

Thus, only now “history is being made,” and it is certain that that which may still be subsumed under the old labels will also change. That is why I believe that in defining Polish Christian democracy, it is worthwhile to put quotation marks around the words Christian democracy.

#### **UChS Deputies Club Chief on Party Program, Legislative Interests**

90EP0241A Warsaw *RZECZPOSPOLITA* in Polish  
28 Nov 89 pp 1, 2

[Interview with Tadeusz Nowacki, chairman, Christian Social Union’s deputies club, by Dorota Ciepiewska:

"Fortunetelling from Coffee Dregs: Behind the Caucus's Doors"; date and place unknown]

[Text] [RZECZPOSPOLITA] The UChS [Christian Social Union] is no longer an association but a political party—such was the sense of the program and structural changes that took place at January's general meeting of your organization. What did actually happen on 21 January?

[Nowacki] We evaluated the 32-year-old history of the UChS and attempted to answer the question of our place in the new political situation. We are a post-October [1956] organization which adopted the idea of Christian ecumenism as its identifying hallmark. It has afforded to believers in various faiths—Catholics, Protestants, Russian Orthodox—the opportunity of existing in sociopolitical life.

[RZECZPOSPOLITA] And what were the results of this assessment?

[Nowacki] We found that the need and meaningfulness of existence of such an organization are warranted, but this requires changing its legal situation. It is simply that laws governing the formation of parties are absent. Even then we conceived the idea of proposing a corresponding decree. We found that being an association instead of a political party is too confining. The UChS has more than 20,000 members and is represented in self-governments and the parliament.

[RZECZPOSPOLITA] But it is easy to make accusations of nonrepresentativeness on the grounds that the composition of the Sejm had been predetermined under the aegis of the PZPR and with the consent of Solidarity during the roundtable talks.

[Nowacki] Such accusations may apply to all who took part in the elections and found the support of their constituencies to be not enough. Anyway, candidates recruit the votes of everyone and not just the members of their organizations, because this is not a question of competing for party leadership. And as for the fact that some received these votes at once while others had to wait, that is due to the plebiscite nature of these elections.

[RZECZPOSPOLITA] In 4 years when the Sejm's [PZPR-dominated] composition will no longer be determined by roundtable accords [i.e., when the elections will be genuinely free], it may be that Solidarity will not want you, while the PZPR will no longer be strong enough to offer a firm ride on its coattails, and then what would be the UChS's chances for getting elected to the parliament?

[Nowacki] Let me answer your question with another: would we have been present in the Sejm had the political alignment been different? Perhaps not, considering what happened with the Senate [where the communists and their allied parties suffered a smashing electoral defeat]. But I think that the next elections will take place under

completely different circumstances and certainly will not involve some prior agreements on the distribution of parliamentary seats. They are to be free elections. And nowadays any organization that desires to participate in parliamentary life must above all formulate a political program of its own and rally credible activists round it. We too are thinking of it, but will we succeed? That is a question only a fortuneteller might answer.

[RZECZPOSPOLITA] Will your program have something to offer voters, a vision of an ideal "Let's love one another" state?

[Nowacki] Of a certainty we shall not depart from that ancient Polish idea, because that "love" refers to individual liberties, economic order, and a law-governed state.

This last precludes disrespect for even the smallest minorities, such as often occurred in the first 40 postwar years. The most recent symptom of this disrespect is the attempts being made in the Sejm to liquidate the smaller caucuses of deputies' on the grounds that they are unneeded because they have forfeited their political identity. We view this OKP [Citizens' Parliamentary Club (Solidarity)] initiative as being directed against pluralism and as restricting the possibility of the free operation of the numerically smallest caucuses. I believe that proposals of this kind are motivated by concern for preserving unity in face of disintegrating political alignments and the fear that these smaller caucuses, which besides exist on both sides [Solidarity and the PZPR], may lead to new political divisions. But it is natural for new political forces to arise and they too should have the right to act through their representatives.

[RZECZPOSPOLITA] The little ones are looking for big allies. Will you seek, e.g., the support of the Episcopate? And in general, what are your relations with them?

[Nowacki] They vary depending on the circumstances. At any rate, we on our part have not usurped the right to speak on behalf of the Catholic Church or any other church, while the Episcopate has not officially condemned us. No organization engaging in political activity can hide behind the plaque of some or other church; it has to act on its own. Members of the UChS's leadership have met with both the previous and the present primate. But we certainly do not intend to seek credibility for our program through contacts with church hierarchies. That would be naive.

[RZECZPOSPOLITA] Do not you think that the "whispered" accusations of the UChS's past cooperation with the SB [Security Service] are highly damaging to your organization?

[Nowacki] I have been active in the UChS for 15 years and I am unfamiliar with any situation or members that might be linked to such services. They are insinuations of the "Have you stopped stealing?" kind. There is no point to answering them. That would be like trying to prove that one is not a camel. Let us bear in mind,

however, that the system for infiltrating many communities had also spread to workplaces.

[RZECZPOSPOLITA] But you don't preclude the possibility that they [the Communists] might also have infiltrated your organization?

[Nowacki] I can neither confirm nor deny this.

[RZECZPOSPOLITA] The draft decree on political parties that you proposed rejects [government] subsidies as a source of income for them. You must be feeling secure financially.

[Nowacki] If someone wishes to pursue a completely independent policy, he must have funds of his own instead of relying on subsidies. We are against any such subsidies. Our funding source is our own manufacturing plants and service and sales outlets, including Ars Christiana, BHZ Arno, Pielgrzym Foreign Travel Agency, and Novum Press and Publishing Institute. We have never availed ourselves of subsidies, and the only discount we get is an exemption from the tax on the part of profits earmarked for our organization's statutory activities. Besides, we postulate the preservation of exemptions of this kind in our draft decree on political parties.

[RZECZPOSPOLITA] What are the other legislative concerns of UChS deputies?

[Nowacki] They have always been the same: protection of the family, safeguards for family rights, an educational policy regarding the rising generation, and social issues, which are particularly difficult nowadays in view of the effects of the reforms being undertaken. We also perceive the practically fundamental importance of changes in the economic system.

Our interests also are shaped by the fact that UChS deputies (five newcomers and three incumbents) include the vice chairmen of three Sejm commissions—Administration and Internal Affairs (Ryszard Zielinski), National and Ethnic Minorities (Eugeniusz Czykwin), and Liaison with Poles Abroad (Jan Blachnio).

[RZECZPOSPOLITA] What about your other parliamentary activities. According to some opinions from the cloud-cuckooland, voters need deputies who are not merely up to their neck in Sejm paperwork.

[Nowacki] We understand this and will periodically (once every 3-6 months) organize field trips of the entire caucus of our deputies to the constituencies.

### **POLITYKA Weekly News Roundup**

90EP0206A Warsaw *POLITYKA* in Polish  
No 49, 9 Dec 89 p 2

[Excerpts]

### **National News**

The Sejm has divided one of the current ministries and created two: the Ministry for Transportation and Water

Management, and the Ministry of Communication. (T. Mazowiecki had announced the plan when he formed his cabinet.) The head of the first is Adam Wieladek, the current minister, and of the second, Marek Kucharski. The Sejm examined the election protests on the basis of opinions presented by the Supreme Court, which received 39 such protests in all. The protests were against the election of deputy Marian Szatybelko in district 22 in Gdynia. (He was the only candidate because the opposing candidate was deleted from the register.) The Sejm determined that the election of the deputy for seat 89 was invalid and that supplementary elections should be held (240 for, 46 against, 55 abstentions). Deputy Szatybelko (Polish Catholic-Social Union) announced that he will again be a candidate. The Sejm did not succeed in forming a constitutional commission; the new Polish Peasant Party deputy club, which consists of eight deputies (four from the Citizens' Parliamentary Club and four from the ZSL club) and whose chairman is Roman Bartoszcze, demanded that one of its members be added to the commission.

Fifty deputies proposed the liquidation of the 22 July holiday. Among them are PZPR deputies, and deputy Marian Czerwinski (PZPR) has presented himself in RZECZPOSPOLITA as the initiator. ("The idea was born in my head.")

The Politburo of the PZPR Central Committee stated that the rightist forces in Poland have intensified the political struggle and are attempting "rapidly to transform the order of the People's Republic of Poland in accord with their interests," which threatens the country with destabilization. The actions of the right are expressed in particular in negating the achievements of the last 45 years and identifying the entire period with Stalinism, actions to end the 22 July holiday, the removal and destruction of monuments, burning books, defacing graves of Soviets. The Politburo published a separate Declaration. It contains, among other things, a determined protest against the initiative of a group of deputies to end the 22 July holiday. The deputies of the PZPR club have also spoken out on the latter issue, emphasizing the serious political consequences of the initiative and the fact that "in this manner the boundaries of the ideological and political identity of the PZPR Deputy Club have been crossed." The club by a majority votes decided, however, not to take an official position on the issue.

There were clashes between demonstrators and the militia around the Lenin monument in Nowa Huta; 19 functionaries were injured, one was taken to a hospital with an open stomach wound. None of the participants in the event was arrested. Edward Nowak, Citizens' Parliamentary Club, who mediated between the demonstrators and the Citizens' Militia, announced he will propose to the Sejm that the statue be removed. In an interview for RZECZPOSPOLITA, he declared, "They are young and impulsive. But although I think their demand is right, I cannot agree with the way in which they want to force its implementation." [passage omitted]

Malgorzata Niezabitowska asked at a press conference about the speech by Chancellor Kohl on uniting Germany: "There are two questions. The question of boundaries and the question of the unity of the German people. All discussions on uniting Germany cannot overlook the question of order in Europe. We noted with amazement that Chancellor Kohl did not comment on a guarantee for the Western boundaries of Poland. He also did not specify how the union of the two German states is to come about." [passage omitted]

Slawomir Tabkowski the new president of Prasa-Ksiazka-Ruch Workers' Cooperative Publishing House announced that the ministry of culture will take over several unprofitable titles: RUCH MUZYCZNY, DIALOG, KINO, TEATR, TWORCZOSC, and ODRA published in Wroclaw. SZTUKA will cease publication unless it finds itself a patron. The Cooperative will continue to publish 14 unprofitable, socio-cultural journals (including KULTURA, LITERATURA NA SWIECIE, POEZJA, NOWE KSIĄZKI, and TAK I NIE, published in Katowice); nevertheless about 20 titles will be liquidated. (ZYCIE LITERACKIE published in Krakow, which produces large losses, probably cannot be continued; its editor in chief Wladyslaw Machejek has announced his resignation in February 1990 on the 40th anniversary of the formation of the weekly; a new Krakow journal of a similar type will surely be founded.) Minister Izabella Cywinska has announced at a press conference that 300 new titles are seeking entry onto the market at present. [passage omitted]

Two new banknotes have begun circulation: 50,000 zloty, which shows Staszic, and 200,000 zloty, which shows a panorama of Warsaw and the national emblem. At the end of February a 100,000 zloty banknote will begin circulating. [passage omitted]

Jozef Musiol, under secretary of state in the Ministry of Justice (an SD activist) has replaced Kazimierz Kakol as director of the Main Commission for Research on Nazi War Crimes in Poland and the Institute of National Heritage. [passage omitted]

*Who's Who News.* Jerzy Urban has been named editor in chief and head of the National Workers' Agency; he is "to organize the operation of the agency," among other things. Michal Jagiello (age 48) philologist, journalist, former deputy head of the Culture Section of the PZPR Central Committee, since 1985 a member of the staff at PRZEGŁAD POWSZECHNY (a Jesuit publication) has been named under secretary of state in the Ministry of Culture and Fine Arts. Anna Potok (age 50), doctorate in agriculture, an adjunct at the Poznan Agriculture Academy, a Solidarity activist, and Michal Wojtczak (age 33), electrical engineer, Sejm deputy (Citizens' Parliamentary Club) have been named the under secretaries of state in the ministry of agriculture, forestry and the food industry.

There are \$4 billion in private accounts of citizens; of them about 70 percent are deposited in the Polish Security Bank. [passage omitted]

After the liquidation of the Volunteer Reserve of the Citizens' Militia and in the face of an increase of crime, EXPRESS WIECZORNY has promoted the idea of forming a Citizens' Watch with the appropriate prerogatives. The proposal arouses, however, the opposition of the readers and officials of the Citizens' Militia. There is a fear that the jurisdiction of the new body could easily be abused.

The official rate for the dollar is already 4,300 zloty. (A week ago it was 400 zloty lower.)

Rabbi Weiss, as KURIER SZCZECINSKI reports, has brought a court case for slander against Cardinal Jozef Glemp in Czestochowa. (The main issue is the sentence: "There were no murders of the sisters or destruction of the nunnery because (the attackers) were checked.")

On 4 December 1989, the first bureau of the Voice of America in Eastern Europe was opened in Warsaw. [passage omitted]

#### On the Left

In the Kremlin, the presidents, premiers, ministers of foreign affairs, and the first secretaries of the communist and workers parties of the democratic people's republics met with M. Gorbachev to hear a report on his meeting with President Bush. [passage omitted]

M. Gorbachev warned the participants in the plenum of the Central Committee of the Lithuanian communist Party against the results of a possible decision to separate the Lithuanian Communist Party from the CPSU and the Republic of Lithuania from the USSR. [passage omitted]

Nadia Comaneci, the longtime Olympic champion in gymnastics, the pride of Romania, after swimming across the river, fled to Hungary from where she went to the United States, where she asked for political asylum. [passage omitted]

Talks between a Polish delegation of the Ministry of Foreign Affairs and the GDR concerning harassment of Polish citizens ended in a fiasco, although the leader of the delegation B. Miernik, director general of the Ministry of Foreign Affairs, says that "some slight concessions on limiting the restrictions on individuals transiting the GDR were achieved."

A. Sakharov called for a 2-hour general strike on 11 December 1989 to exert pressure on the Congress of People's Deputies to delete the clause on the leading role of the CPSU.

Prior to the meeting between Gorbachev and Bush, the Romanian mass media warned against the superpowers concluding an agreement without the other interested parties. "Democratization of international relations demands equal participation in them by large, medium, and small states," wrote SCINTEIA. [passage omitted]

The Republic of Korea and the USSR have decided to raise their bilateral contacts to a higher level and to open consulates in Moscow and Seoul. The USSR commercial counsellor in Seoul, V. Nazarov, excluded the establishment of closer diplomatic relations in the near future. The value of the trade between the USSR and South Korea in 1989 will be \$500 million.

The final results of the referendum are different than we reported last week. Contrary to agency reports before POLITYKA went to press, by a slight majority (6,500 of 4.3 million valid votes cast), Hungarians have supported the proposal of the Union of Free Democrats (SZDSZ) and the Union of Young Democrats (FIDESZ) that free elections to the parliament should be held first and then elections for the president.

The development of openness in the Bulgarian press: ZEMEDELSKO ZNAME, the paper of the Bulgarian People's Peasant Union, has published open letters in which 90 members of the party demand a revision of its role as an ally completely subordinated to the communist party. The daily RABOTNICHESKO DELO for the first time in the postwar history of Bulgaria has published information on how Bulgaria intends to use foreign loans. The loan in question is for \$200 million from Italy. (A portion of the loan will go to a Bulgarian-Italian mixed partnership for a milk processing plant, another portion will go for the construction of a steel plant.) Bulgarian television and the daily TRUD report hunger strikes in prisons in Sofia and in Vratsa. (They are demanding an amnesty, moderation of the penalties in the criminal code, an end to the death penalty, and improvements in the conditions in prisons.)

"Along with the progress of perestroika increasing numbers of critical remarks are being aimed at M. Gorbachev. The pricks are increasingly painful, it is plain to see. Their target himself, due to qualities in his character, it seems, cannot hide that fact. But he has not retreated. Where is he going? Why has he not departed from his chosen path?" This is how V. Tretyakov begins his sketch of a portrait of the Soviet leader in MOSKOVSKIE NOVOSTI. Another fragment: "The political tactics of Gorbachev are a tactics of compromise. But day by day, minute by minute, he is carrying the work of perestroika forward. It is based on a delicate sense and balancing of all the changing variables of political and economic life and on an ability to see what the balance will be in the future and what, as a result, should be done in order to keep ahead of a potential conservative move, in order in one decisive action to move everything forward. . . . The ace of Gorbachev's policy is that he knows how to compromise with himself, with himself yesterday and today, i.e., to gradually raise himself to a higher level, in order to meet the new challenges that perestroika poses. In this sense, those who seek to catch Gorbachev in inconsistencies, pointing out that yesterday, especially the day before yesterday, he said something different are proceeding in a rather senseless way. Such people clearly do not want to notice the obvious—the self-development of the leader, who in

1985 took upon himself the political burden and today is forced to bear increasing political burdens."

### Opinions

*Jan Ciechanowicz, a Polonia activist from Lithuania:*

(Interviewed by Jerzy Lewinski, Andrzej Magdon, and Włodzimierz Rydzewski, ZDANIE No 10, 1989)

[Ciechanowicz] The tragedy of the current situation is that after receiving a dose of freedom, after the opening of opportunities to form a national movement, many of those who sought their own freedom cannot respect the freedom of others. Polish Lithuanians have never wished Lithuanians ill. We fear, however, that in an independent Lithuania we would be destroyed. As before, so now the local press conducts a brazen, vicious anti-Polish propaganda. I am surprised that the Polish press has said nothing about the subject. It suffices to reprint these materials with no commentary for it to become apparent with whom one is dealing. I also fear our fate if Moscow, which in any case "has given" us to the Lithuanians, ceases to defend us. I know that is a paradox, but that is the case. In Poland many do not want to accept this fact. They frequently come to Vilno from Poland and tell us: Why are you fighting with the Lithuanians? You should join with them against the common enemy. I respond to them: You come here with various theories and conceptions; you dream of allies, union, etc., tales that have no support in reality. We do not need lectures, but a strong, competent, culturally flowering Poland. Rebuild it, and then give us a lecture on how to do it.

*From a declaration of the Katowice Workers Program Platform:*

(DZIENNIK ZACHODNI 23 November 1989)

"Our main goal is to lead to the political, organizational, and moral rebirth of the party as a force systematically defending the interests of the working class, of all wage laborers. We express our determined protest against all attempts to liquidate the PZPR at the 11th congress and on its rubble to form a new party of a completely different, anti-worker character.

We think that regardless of the voluntaristic and destructive policies of the series of leadership groups whose stinging effects we all feel today; regardless of the many years deprived of rights and of the pacification of the party activ, the party rank-and-file, the party base retains enough power and energy to rebuild the party in a new, democratized form and under a new program standard."

*Jerzy Tucholski, member of the Independent Historical Committee for Research on the Katyn Crimes:*

(Interviewed by Halina Retkowska, EXPRESS POZNANSKI 23 November 1989)

[Question] In your opinion will the Soviet Union take an official, unambiguous position on Katyn?



[Answer] Perhaps we should begin from another question. Namely, about the reasons for such a lengthy resistance to revealing the truth. It seems to me that we do not completely realize how difficult the situation of the Soviet authorities was. Pointing to the NKVD as the one who committed a crime against 10,000 to 20,000 Polish officers is equivalent to bringing the guilty individuals to justice and awarding damages to the families of those killed. That, however, brings an avalanche of others with it, for it will be necessary to settle for wrongs brought forward by families of Poles from Brygidki near Lvov, from Berezwech, from Trakt, Mohylevski, Kolyma, Vorkuta, and Magadan. The wrongs which the Finns will also surely present and the Hungarians deported to camps in 1956, and finally the demands of their own Soviet society, among which during the Stalinist period from 20 to 40 million people were murdered.

The opinions and views cited in this section do not always agree with those of the editors.

## YUGOSLAVIA

### Bosnian LC Leader on Ethnic Conflict, Divisions Undermining Congress

90EB0134A Split NEDELJNA DALMACIJA in Serbo-Croatian 22 Oct 89 pp 6-7

[Interview with Nijaz Durakovic, chairman of the Presidium of the Bosnia-Herzegovina League of Communists, by Zlatko Dizdarevic: "The Congress Signifies Suicide of the LCY"; date and place not given]

[Text] [NEDELJNA DALMACIJA (ND)] It seems to be difficult to begin any conversation about politics today without first place being taken up by issues concerning various aspects of ethnic relations in Yugoslavia. It seems, however, as though the public is saturated with talk about ethnic issues. As though some kind of suspicion is emerging.

[Durakovic] There certainly are those who think, especially in everyday life, that all public dialogue about ethnic relations should be nearly terminated and that the League of Communists should be the initiator for putting debates about ethnic relations in Yugoslavia in the deep freeze. The conviction is taking shape that it is the broad discussions, especially those being carried on in bodies of the League of Communists [LC], that are themselves provoking ethnic intolerance and conflicts. I see this on the one hand as a reaction of concerned citizens to our distorted, twisted, and perverted debates about ethnic issues. But on the other hand it would be difficult to defend the position that the League of Communists is accentuating ethnic problems in public as a way of concealing its deliberate intentions, which are by throwing the people the "ethnic bone" to camouflage its inability to tackle the real socioeconomic problems, the

problems of the standard of living, as well as the autocratic ambitions of the ethnocratically oriented leaderships. Taking the large view, the fact that ethnic relations in Yugoslavia are today at the center of attention simply indicates that these issues have crucial historical importance to its future. Accordingly, we cannot take an indolent attitude toward this group of problems, letting them develop as they will. Unless the League of Communists operates in this area, then it is quite certain, and our reality is demonstrating this to us at present, that the class and the nationality will become the prey of other forces, nationalistic and anticommunist. Incidentally, we must free ourselves of the deeply ingrained error that socialism has removed the nationality question from the agenda of history. Both our own practice and world practice in both the socialist and capitalist countries demonstrate that this is neither a peasant nor a bourgeois issue and that it exists with a vengeance in the contemporary world.

### The Nationality Question

[ND] Yet it cannot be denied that in Yugoslavia today there has been quite a bit of manipulation with ethnic sentiments and ethnic relations in general.

[Durakovic] There is no dispute that today we have a strange phenomenon which we might refer to as the phenomenon of "political production" of ethnic consciousness, the separation and even confrontation of people and nationalities on an ethnic basis. Nor is it debatable that that production would not be possible had it not found "fertile ground" in the country's real socioeconomic problems. However, it would be flagrant economism if we reduced that production exclusively to that terrain. That is, it seems that that political output, that picture and representation of "what is good for the nationality" and "what is bad for the nationality," is emerging today almost as a kind of alienated and independent sphere and that it is doing some kind of external violence to the real relations between people and nationalities. The measure of the real needs of people and nationalities, the measure of real interethnic relations is not nor can it exclusively and without remainder be found in that political production of "ethnic reality" in which the news media play an extremely important role. Only someone who has lost contact with the everyday life of people can fail to know that their interests and problems are largely outside of all that and that at the level of everyday life there are many more civilized relations between people and nationalities than there are in "ethnic reality."

[ND] However, it is logical to assume that today the political uses of the nationality are in fact reflected precisely in everyday life. What has been the most recent experience in Bosnia-Herzegovina in this regard?

[Durakovic] The state of consciousness and practical relationship are characterized above all by people's large-scale disgust with the ethnic conflicts and divisions. But even that idyllic picture of the situation in



Bosnia-Herzegovina is not the point: people are being set at odds, relationships are being chilled, there is a kind of moving apart on a religious or ethnic basis, although there has been no great number of extreme expressions of these phenomena. As for the duration, perfidy, and persistence of the attacks and pressures on the identity of Bosnia-Herzegovina and ethnic relations within it, the people here have shown and are showing the strength and vitality with which they resist such efforts. Our concept for building interethnic relations, which is not just theoretical, but also grounded in practical institutions, and which basically was set in place by the decisions of the ZAVNOBiH [Regional Antifascist Council of the National Liberation of Bosnia-Herzegovina], is also still standing up to the test.

[ND] To what kind of pressures are you referring, what are their motives, and what are their objectives when they occur?

[Durakovic] They can be examined at several levels. First of all, on the level of ideology and doctrine those ideologies are alive and reviving those which instead of the policy of ethnic equality would like to set up ethnic relations in Bosnia-Herzegovina on the principles of ethnic majority, exclusive parity, and extreme discrimination. Some people, for example, would like to derive those relations from the well-known nationalistic theory that this or that nationality is autochthonous in Bosnia-Herzegovina. There is no need to go into what the application of that theory in practice would bring about. In Bosnia-Herzegovina, there is no place for dividing the people into the "natives" and "newcomers." Bosnia-Herzegovina is a community of all its nationalities and ethnic minorities; that is what it has been and it will remain that. The policy of ethnic equality precludes any relations of ethnic segregation. A theory similar to this is the one about historical rights which in the name of "blood and soil" is reviving the ideology of Messianic nationalities. And then, of course, there are the paternalistic ideologies in their various forms and manifestations. Neither the Bosnia-Herzegovina LC, nor the nationalities and ethnic minorities of Bosnia-Herzegovina, see anything else in those ideologies except nationalistic-hegemonistic attempts to negate its historical identity and to incorporate it into the old prewar bourgeois "spheres of interest."

#### The Islamization of Marxism

[ND] By all appearances those ideologies are not confined solely to the sphere of "pure ideas"; that is, they are occurring more and more frequently in various practical political forms as well.

[Durakovic] Naturally, we are not dealing with ideas here at all, but exclusively with political ambitions of various nationalistic, hegemonistic, and separatistic forces directed toward Bosnia-Herzegovina. What is specific in the offensive of those forces is that in their endeavor to destabilize interethnic relations in our republic, they are carrying out an attack on the republic's

bodies of leadership, they are trying to sow seeds of discord, and they are trying to drive a wedge in them on an ethnic basis. In the public arena, they have attempted to proscribe certain leaders who are members of political structures of Bosnia-Herzegovina, they have tried to cast doubt on the ability of our republic's bodies of leaders to conduct and implement the established policy and to consistently defend it against various political manipulations and even aggressive nationalistic assaults. There is ever greater pressure on the republic's bodies of leadership aimed at compelling commitment to this or that ethnic program. Through the conventional patterns of what is called a mass movement of a nationality or the so-called antibureaucratic revolution, with every possible ideological and propaganda weapon, and with every possible method of manipulating the social and other problems of the working people and citizens, they have tried to provoke a conflict between the people and the bodies of leadership and on that basis to destabilize the republic. Many problems, of course, have been generated exclusively by "domestic" causes.

[ND] The thesis of some covert pan-Islamic orientation and policy of the Bosnia-Herzegovina bodies of leadership, which has been tested and demonstrated in the past, is in "fashion" today. What do you think lies behind such theses?

[Durakovic] You rightly speak about the "faddishness" of that thesis, which falsifies things and is extremely malicious. It is true that it was well-known in the past in certain nationalistic and anticommunist circles. In such circles, there was talk even a few years ago about the Khomeini-Qadhdhafi leanings of ideologists and intellectuals who were supposedly operating under the "direct protection of official politics." There was talk about the leadership of Bosnia-Herzegovina as the protector of a kind of "Islamization of Marxism" and of an intellectual group which supposedly wanted to play a vanguard role in Bosnia-Herzegovina from the positions of pan-Islamism. The difference is that today there is no longer talk about the protective role of the bodies of leadership concerning fundamentalism, but about how they themselves take the position of Islamic fundamentalism. We will leave to one side the fact that as a rule the nationalistic elaboration of these theses consists simply of a "confusion of concepts" and a lack of elementary knowledge. It is more important that these theses are arising as an integral part of the "line of argument" of the strategic aspirations of Serbian nationalism and its effort to create collective neurosis and a sense of insecurity in the Serbian population, as well as to create the impression that their existence is universally threatened and they have been deprived of their rights. The lengths to which nationalism goes in its nonsense and irrationalism is also indicated by the "most recent discovery" of certain news media that in certain parts of Bosnia-Herzegovina there is a discriminatory attitude toward the Serbian population and also that their very existence is supposedly threatened in Bosnia-Herzegovina.

[ND] What has been the "posture" of the bodies of leadership in Bosnia-Herzegovina toward those attacks? Is there truth in the assertion that there has been a division in that leadership on an ethnic basis?

[Durakovic] I can say with certainty that these are insinuations and nationalistic cravings. I feel that the present bodies of leadership in Bosnia-Herzegovina are fully aware of their responsibility for the community life, equality, and destiny of Bosnia-Herzegovina and that there is a high degree of agreement and unity on that basis. But we go even further, taking the position that unity cannot be built in Bosnia-Herzegovina on any sort of abstract foundations, but precisely on specific issues. We are unified in our commitment that what we in Bosnia-Herzegovina need is what might be called operational unity, that is, a unity that is built in action, in a specific practical situation.

We likewise feel that unity in the bodies of leadership of the League of Communists cannot be dictated from the Central Committee or from its Presidium, nor from any other body or organization in the republic, but rather it is built and achieved through clarification and in a democratic way.

#### Nationalism Is Not Democracy

[ND] What is the attitude of the bodies of leadership toward nationalism in Bosnia-Herzegovina? To what extent does the practice still exist of respecting some formal symmetry, or are political relations formed on the basis of the actual situation and actual strength of this or that nationalism?

[Durakovic] Our point of departure is that the nationalistic position or ideology cannot be treated as an expression of democracy nor as evidence of it nor a confirmation of it. We cannot allow and will not accept the degree of democratization of relations in Bosnia-Herzegovina to be measured by the degree of tolerance and indeed even collusion with nationalistic forces.

[ND] Nevertheless, analysts of political developments in Bosnia-Herzegovina warn that Serbian nationalism has recently been on the offensive, and that this in turn is bringing about a kind of homogenization of other nationalities in Bosnia-Herzegovina as well. In your opinion, how accurate are these analyses?

[Durakovic] Without retreating from the position that all nationalisms are equally dangerous, nevertheless, as one realistically examines the situation today, he must objectively ascertain that today Serbian nationalism is on the offensive toward Bosnia-Herzegovina. It has been making abundant use of various data, subjective shortcomings, and indeed even of objective circumstances, and more and more frequently even the church to realize its goals. It has moved, obviously well-organized, above all toward the "Serbian districts" in Bosnia-Herzegovina, attempting to spread half-truths or false options, in particular striving to put to bad use the thesis of the Serbs being threatened in Bosnia-Herzegovina, of

their alleged inequality for decades, the alleged manifestation of which is that, according to them, the development policy of SR Bosnia-Herzegovina has intentionally neglected those districts, and the Serbian people has not been allowed ethnic or even cultural affirmation in the environment of community life in Bosnia-Herzegovina, etc. All of this is spiced with a heavy dose of paternalism and unprecedented propaganda, which is based on the appeal for unification of all Serbs in Yugoslavia. Serbian nationalism is at this point calling upon Serbs in Bosnia-Herzegovina to offer resistance to the leadership in the republic and in every way to prevent its consolidation, which is neither strange nor illogical, since this literally cuts off the most important pillar of policy which those bodies of leadership are conducting—the policy of equality, brotherhood and unity, the policy of a struggle for community life in Bosnia-Herzegovina. The protagonists of that nationalism are spreading fear of the alleged possibility that Bosnia-Herzegovina might become ethnically pure, which above all signifies purely Muslim. They do not stop short even of unparalleled lies, and they proclaim individuals and indeed even the entire Bosnia-Herzegovina leadership to be fundamentalist or at the least a leadership which with only relative success has been hiding behind the slogan of brotherhood and unity, while in actuality it is conducting a quite different policy.

[ND] Neither you personally, nor your public statements and political positions have escaped various comments, attacks, and indeed even provocative acts. How do you perceive and assess such "criticism" of your public acts?

[Durakovic] I must say that recently I have not run across any rational criticism of my acts in the news media. As a rule, this is "criticism" which is published in a precisely defined type and character of news media, well-known and recognizable for their irrational political commitments, mainly of anticommunist orientation. Most frequently this is "criticism" of my acts which, more or less covertly, is based on and backed up by a nationalistic outlook. It is not even possible to conduct a sensible dialogue with such basic irrational positions. Two political positions which rest on differing axiomatic systems—and my approach, I feel, is based on ethnic equality, the policy of brotherhood and unity, Yugoslav socialist patriotism, and the like, while the axioms of my "critics" are bound up with the policy of ethnic conflicts and enmity, discord, condemnation settled in advance, with ethnic stereotypes, and cultural and religious intolerance. Is there any possibility of talking rationally with those who took one of my illustrations of religious tolerance during the Turkish period in Sarajevo as the trumped-up basis for systematically fabricating false ideas about my political involvement and commitment as something belonging to pan-Islamism and the like?

[ND] There is no doubt that even today a clear and discernible line is being taken toward nationalism in Bosnia-Herzegovina. However, the question arises to what extent the general situation in the country, and especially to what extent the practical attitude of bodies

of leadership in other parts of Yugoslavia toward nationalism, are making it more difficult to combat nationalistic forces in Bosnia-Herzegovina itself?

[Durakovic] My insistence on several occasions in my public statements on the need to unify the ideological criteria in all segments of the League of Communists, about the nature and consequences of nationalism, and my insistence on conducting a coordinated effort against anticommunist and nationalistic forces throughout the country is precisely based on the experience that the socialist forces in Bosnia-Herzegovina cannot conduct their struggle against nationalism effectively or successfully unless they receive direct or indirect inspiration and support from bodies of leadership in other segments of the League of Communists. The fact of a kind of indolence on the part of certain bodies of leadership in other communities toward the increasingly legalized offensive of nationalistic forces is causing negative repercussions even within Bosnia-Herzegovina. We feel that an explicit condemnation of that kind of behavior and those tendencies would have very great importance to the struggle against nationalism in Bosnia-Herzegovina, both that which is generated on our own soil and also that which is being provoked from other communities.

#### A Stream of Accusations

[ND] Are you referring also, then, to statements by nationalistic forces in certain news media which have met with a tolerant attitude in their communities?

[Durakovic] I am indeed thinking of the action of the news media, but also of the tolerance of other forms of nationalistic activity. In our republic and in its bodies of leadership there is a quite obvious awareness that we no longer have any right or justification to tolerate a situation in which a never-ending stream of accusations of Bosnia-Herzegovina is created, accentuated, and produced from various political points and parallel political centers of power both outside and within the republic, new scandals are opened up, and in general activities are organized to destabilize Bosnia-Herzegovina. There is a unified position in the republic on the resoluteness of the struggle against all forces which threaten the socialist character and governmental integrity of Yugoslavia, and thereby those of Bosnia-Herzegovina as well. But if we in Bosnia-Herzegovina are to operate successfully along that line and in that direction, we must also have a different attitude toward nationalistic forces in all segments of the League of Communists. It is a fact that there are no arguments whatsoever that would indicate that any leadership from any other republic or province is taking a direct or indirect part in the destabilization of the political situation in Bosnia-Herzegovina. We in fact believe that the bodies of leadership in the other republics and provinces could have no interest in destabilizing the situation in Bosnia-Herzegovina, much less to take part in it in some way. We therefore have every right to demand that we wage a joint struggle against the tendencies which we confront and whose sources lie in the activity of individuals, groups, or entire organizations

from other parts of the country and to demand a clear declaration on their part and their concrete action to suppress nationalisms of all aspirations and stripes, including that nationalism which is threatening Bosnia-Herzegovina.

[ND] Is the unity of the leadership of Bosnia-Herzegovina which you constantly mention one of the main conditions for a kind of reaffirmation of the position and role of Bosnia-Herzegovina in the Yugoslav Federation? And what in general do you think about the theses that have recently been expressed more and more frequently to the effect that there must be radical changes of direction in this respect?

[Durakovic] On this occasion, I would not go into the origin and importance of such theses, inasmuch as in part they did have a rational basis in the situation that came about in connection with the "Agrokomerc" scandal. For the present, it is more important for us that we go to the end in Bosnia-Herzegovina in formulating our active policy, a policy based on specific content and commitments, a policy which will not reconcile itself to tendencies to interpret the major issues of the future of Yugoslavia through the interests of Bosnia-Herzegovina, combined with the policy of ignoring its opinion, with a revival of the old narcissoid theses to the effect that Yugoslavia's destiny is decided along the line that runs from Ljubljana to Belgrade via Zagreb and that the other nationalities and ethnic minorities have no say about Yugoslav issues. I think that it can no longer be said that the bodies of leadership of Bosnia-Herzegovina are silent about things which not only do not fit with the Yugoslav orientation to which we have committed ourselves in the republic, but which also do not conform with the interests of the country nor with the intentions of the social reforms we are undertaking. However, precisely at this time, when many personnel from Bosnia-Herzegovina have freed themselves of a kind of fear of being definite, of saying what is good and what is bad—regardless of the part of the country in which it is taking place, regardless of whether someone is going to be reproached or not, many of them have met with incredibly rough attacks and accusations and incredible methods of pressure and of political monism in general.

#### Without an Ethnic Card

[ND] Many people continue to expect that Bosnia-Herzegovina, that is, its bodies of leadership, will come out in favor of this or that particular political option. The leadership of Bosnia-Herzegovina has so far resisted those temptations. What can be expected in the future?

[Durakovic] I hope that we will persist in that position and that we will not give in to the pressures for Bosnia-Herzegovina to commit itself to one, the other, or some third particular political option on the scale of Yugoslavia. We see no way out in committing ourselves to any particular ethnic program, especially programs which are not based on working class interests and the interests of the entire Yugoslav community. In that context, we will

continue in the future to strive to present as clearly and recognizably as possible to the Yugoslav public what we are in favor of and to eliminate every possibility of the interpretation that the policy of Bosnia-Herzegovina, whether at the level of its bodies of leadership, or at the level of individuals, is playing the coquette or is in collusion with this or that current political tendency or with this or that side in the production of interethnic conflicts and confrontations in Yugoslavia today. We have the prerequisites for that kind of commitment not only in the unity of the bodies of leadership of Bosnia-Herzegovina, which, of course, is not, nor should it be, uniform, but also more broadly—in the large-scale commitment of the working people and citizens of Bosnia-Herzegovina to fight for and preserve the community life and full affirmation of all the nationalities and ethnic minorities that live in Bosnia-Herzegovina. It is clear to everyone that Bosnia-Herzegovina and its policy cannot play the ethnic card and seek from it its own survival and identity. We have no other historical strategy than the strategy of further construction of AVNOJ [Anti-Fascist Council of People's Liberation of Yugoslavia] Yugoslavia and of a Bosnia-Herzegovina within it that is equal and fraternal.

[ND] Recent events in the country have not been favorable to creation of the conducive atmosphere which is indispensable to holding a successful congress. Are there really such great differences between the bodies of leadership in the LC, and is a split of the LCY at the 14th extraordinary congress a real possibility?

[Durakovic] It is my impression that much of what we see is mere appearance, especially with respect to differences. When we compare the programmatic documents offered so far, then it is not difficult to draw the conclusion that there are far more identical views in all segments of the LC than it seems at first or from the standpoint of practical events or statements made by the various bodies of leadership. For example, there is no dispute concerning the idea or even a majority of the conceptual features of the economic reform. There is somewhat less agreement when it comes to reform of the political system. Is there not agreement in all parts of the LC concerning construction of the law-governed state, a system of guarantees of human and civil rights, the necessity of affirming political pluralism (even though some think otherwise), on the attitude toward the so-called crime of thought, on the need to transform the LC and its new social role, etc? Only when it comes to the problem of changing relations in the Federation do certain essential and conceptual differences arise. But the stock of common and identical views represents a basis for bringing views closer together even in this sphere. But that means creating new conditions which are related above all to a democratization of our relations.

#### Four Proposals

First, I think that the democracy and democratic processes which we have already initiated should be nurtured and developed like a tender fragile plant.

Why do I emphasize that? Because I am afraid of our being lulled into our inherent conformism, in some cases even into uncritical euphoria, and indeed even to a panegyric manifested in the belief that we have won the battle against the dogmatic forces. It is to be feared that the baggage of Stalinism and the chill that it signifies are still immense and that our democracy is still in swaddling clothes, is just beginning to learn to speak, and is contradictory in its nature. Somewhere on the boundary between desires and possibilities, between the "sweet pleasure of power" and comfortable monopoly, and the greater awareness that we have to be freed of it. The dogma is still rattling the saber, issuing threats, and intimidating people. It is to be found above all in the League of Communists, but social strata threatened by economic conditions and a large portion of the workers are especially susceptible to it; in this immense crisis and other troubles, they represent an ideal terrain for various types of demagoguery and cheap indoctrination, among which that which is of nationalistic origin is not the only one that is pernicious. The battle for democracy will last a long time, and many things will depend on its outcome, all the way to the character and nature of the very design of socialism. Unless democracy develops in the broadest sense of that word, and here we also take for granted its class character, swearing allegiance like parrots to the principles of the three reforms, to "a new, richer, and more humane socialism," will be only yet another new utopia, another list of desires, and a great amount of energy spent in vain.

At the same time, we must seriously distinguish once and for all what is truly democratic. Today, after all, all kinds of things are being passed off for democracy. Even primitive acts of revenge carried out on a large scale, arrests, people put in isolation, people laid off because of ideological sins, trials for the crime of thought, unprecedented ideological drilling, nationalistic frenzy and hysteria, monism in thought and devotion in carrying out a political will that from time to time is even fanatic. All of this would like to represent itself as being democratic, even every form of political manhunt, violations of elementary human rights and civil liberties, every bureaucratic trick and unscrupulous fight for power or to hold on to it, wants to have its own quasi-democratic robe to put on, to be some "vox populi" and to have a procession referred to as the will of the demos.

Second, what the League of Communists should in my judgment be giving a great deal of thought to is whether to hold the 14th Extraordinary Congress of the LCY at all under these "devilishly difficult circumstances."

There is hardly any need to prove that the closer we get to the date for holding the congress, the greater the differences are, the more pronounced the disunity, and the more passionate the discussions, to the point of ignoring all arguments and suspending any constructive and reasoned dialogue. These are no longer divisions, it is almost a conversation between deaf men, a frothing ideological and political warfare, an abyss and a chasm, the last gap of a great idea and of a great movement that

has been confirmed by history. In an environment of unprecedented social tensions, of universal ideological confusion, of all the right-wing assaults which are growing into anticommunist hysteria, of the selling of ethnic programs within the communist movement, in the environment of general discord, of counting supporters and opponents, and of suspicion, powerlessness, and disgrace even of the highest bodies of the LCY, to go to a congress which in great suspense we have called "extraordinary" signifies preparation of suicide in many respects. It is realistic to ask the question: Will the 14th Extraordinary Congress of the LCY mark the definitive collapse of a movement, concept, and ideology? If this were the end of the Stalinistic spirit, of monopolism, and of political voluntarism, of the conformism of the party in power, and a farewell to the "sweet pleasure of power," then that would be a historical step. But the fear is that this might be the definitive departure from the stage of an organization which has proudly called itself the League of Communists. That is why, shocking as it may be to all those who have been spreading optimism "by the bucketful" and who believe that the congress can work wonders, I have been in favor of postponing this congress, in favor of waiting for better times, or, if it is still possible, of finally seeking and finding points of contact, of putting emphasis on what presumably is still our common interest.

#### The Inventory of Questions at Issue

Which brings me to my third proposal, and this is that the LC, just as it is, with all the fragility and brittleness of its survival, make an additional effort to direct the energy left to it toward affirmation of what is the specific and historical interest we have in common. To identify the key questions at issue openly and critically, but calmly, without ideological trickery and petty political coating. To see which of them are soluble immediately and before the congress, and which will be the subject matter of action by the LC over a lengthy period of time, which require a broader, sounder, and more thorough theoretical analysis. After all, haste concerning certain major theoretical issues such as the issue of the LCY

Program or what kind of socialism we desire would be just as disastrous as cultivating the present practice and position of the LC. So, the inventory of questions at issue, "the goodwill to resolve them," affirmation of what is integrative, what we have in common, what is common to all of Yugoslavia, what unites us, and so on, ought to be the main line of action of the LC on the eve of the congress. For the LC to finally begin more resolutely to free itself of the ephemera of the everyday, of floating at the phenomenological level, and for it to emphasize the key issues of our life: building a modern market economy, the challenges of the scientific-technical and information revolution, social welfare policy, broadening the room for democracy and everything that we refer to as the socialist project. So that the road to Europe and the advanced world does not travel over Balkan thorns and Asian cobblestones. Since what the LCY is concerned with today is often an outpouring of political arbitrariness, public display, and the dictate of an imposed political will, a descent to the nonsense of ethnic, interrepublic, and other skirmishing. Sometimes it amounts to bidding for power and setting the stage for reprisal. In the end, it is an evasion of the real topics and problems: all in all—political artifice.

This logically imposes the fourth proposal: in addition to a "purge" of unsettled passions, suspicions, and polemics (a protracted state of war), to use all ideological and political weapons to emphasize and affirm those values and goals which were clearly sketched out back at the conference of the LCY. To finally displace the ethnic with the social-class aspect, to drive out the past with the future, and for all the glorious battles, all the kings, pageboys, princes, bans, and viziers, to open up a little bit of room for our specialists, our scientists, our successful business executives, artists, and so on. It may sound a little bit like rhetoric, but do we have the strength to turn to work and creativity?

Otherwise, there are many other more sinister options which could make it much worse for us before another day passes, which further deepen the ethnic chasm, in which the social dissatisfaction would explode and the ideological warfare would reach a white heat, and so on. And then that is the end of the "vain dream of reform."

## INTRABLOC AFFAIRS

### Communique on Pact Defense Ministers Meeting

90EB0161A Sofia RABOTNICHESKO DELO in  
Bulgarian 1 Dec 89 p 6

[Bulgarian Telegraph Agency release: "The United Armed Forces: Directions for Improvement. Communique on the Meeting of the Warsaw Pact Countries Defense Ministers Committee"]

[Text] From 27 to 29 November 1989, a meeting of the Warsaw Pact Countries Defense Ministers Committee took place in Budapest, the capital city of the Hungarian Republic.

Army General D. Dzhurow, People's Defense Minister of the Bulgarian People's Republic, Colonel General F. Karpati, Defense Minister of the Hungarian Republic, Admiral T. Hofman [last name transliterated], National Defense Minister of the German Democratic Republic, Army General F. Shivitski [last name transliterated], National Defense Minister of the Polish People's Republic, Colonel General V. Milya [last name transliterated], National Defense Minister of the Romanian Socialist Republic, Army General D. T. Yazov, Defense Minister of the Union of Soviet Socialist Republics, Lieutenant General E. Lishka, National Defense Vice Minister of the Czechoslovak Socialist Republic, Army General P. G. Lushev, Commander-in-Chief of the Warsaw Pact Countries' United Armed Forces, Army General V. N. Lobov, Chief of Staff of the Warsaw Pact Countries' United Armed Forces, participated in the meeting's work.

In addition to them, representatives of the administrative staff of the Warsaw Pact Countries' defense ministries and the United Armed Forces' United Command also attended.

The Hungarian Republic's defense minister was chairman of the meeting.

The participants in the meeting exchanged opinions on the military and political situation created in Europe and reviewed the outlook for future improvement of the Warsaw Pact Countries' United Armed Forces, taking into consideration the decisions of the allied nations' governments for reorganization of their armed forces and developments of the Vienna talks on conventional armed forces and arms in Europe.

The Defense Ministers Committee pointed out the recently accomplished definite progress in improved international relations and decrease of tension and confrontation. The practical steps taken by the Warsaw Pact countries in the field of disarmament which show hope for new measures to strengthen peace, security, and trust are very important.

The measures taken by the Warsaw Pact countries to implement their military doctrine for unilateral reduction of their armed forces, giving them greater defense

purpose, as well as to decrease arms manufacturing and military spending, were seen by the Defense Ministers Committee as a significant constructive contribution in establishing favorable prerequisites for future progress in the arms limitation process and reduction of the military opposition level in Europe.

Satisfaction was expressed at the meeting regarding the agreement to conduct a Soviet-American summit meeting and regarding the new initiatives for strategic offense arms reduction, nuclear testing limitation, chemical weapons prohibition and destruction of all their reserves.

The results achieved, as well as the future outlook regarding the Vienna talks on the issue of conventional armed forces and arms reduction in Europe were evaluated positively.

The Defense Ministers Committee underscored the importance in redirecting the relations between the Warsaw Pact and the North Atlantic Treaty Organization along non-confrontational lines and establishing constructive dialogue between them on military topics. A positive evaluation was given to the results of the meetings between representatives of the Warsaw Pact and NATO countries' higher military leaderships.

At the same time the participants in the meeting emphasized that further efforts from both sides are necessary to make the initiated positive processes irreversible.

The military budgets and programs for future development of the armed forces of the U.S. and other NATO countries are still directed toward maintaining military force as principle means for accomplishing their foreign political interests. NATO's tendency to support, as in the past, the "nuclear deterrence" strategy, and to leave Naval Forces out of the armed forces and arms reduction negotiations, does not fail to provoke concern.

It was emphasized that the developed situation on the European continent requires persistently to start negotiations for the reduction and later elimination of tactical nuclear weapons. The USSR's readiness for future significant and unilateral reduction of its tactical nuclear rockets in Europe, if the NATO nations agree to start such negotiations, was met with approval.

The Defense Ministers Committee, taking into account analysis of the military and political situation which has developed, defined the directions for future improvement of the United Armed Forces according to the military doctrine of the Warsaw Pact countries and to national military doctrines. Military buildup will be carried out according to the need for sufficiently reliable defense and for combat-ready United Armed Forces capable of guaranteeing the Warsaw Pact countries' defense.

Joint decisions were made regarding the discussed issues.

The meeting proceeded in a businesslike manner, in an atmosphere of friendship and mutual understanding. The next meeting will take place in Berlin.

## GERMAN DEMOCRATIC REPUBLIC

### Reform in Armed Forces Set in Motion

90EG0113A Frankfurt/Main FRANKFURTER  
ALLGEMEINE in German 2 Jan 90 p 4

[Article by Peter Jochen Winters: "Reform in Armed Forces Set in Motion; Reorganization Has Also Begun in the National People's Army; Personnel Changes at the Top of the Military Forces"]

[Text] Berlin, 1 January. Supervisory functions in the National People's Army (NVA) of the GDR have been newly manned with the start of the new year. In the interim, fundamental reorganization of the military forces of the GDR has also begun. The leadership of the National People's Army and of the Border Guard assured in an appeal that the members and civilian employees of the military forces—as part of the people—support the revolutionary radical change in the country. The Army leadership simultaneously requested sharing the Army's concern for safeguarding peace and respecting the Army's pertinent efforts. The initiated military reform of the GDR is to be realized as an expression of the people's will with the goal that every "citizen in uniform" fulfill the duties mandated by the constitution, be respected by society in the assertion of his mandate, experience democracy in the military forces, and be able to extensively make use of his conceded rights.

In December, the staff of the "Ministry of National Defense" decided—among other things—to absolve the Principal Political Administration of the National People's Army. The work of the SED [Socialist Unity Party of Germany] party organizations in the National People's Army and in the Border Guard is supposed to be regulated in the future by a party code to be adopted by the People's Chamber. A new military service code is currently being worked out and is supposed to be available to the People's Chamber by March at the latest. If at all possible, the civil service code is supposed to be in effect in May for the Spring assembly. The "staff" of the Defense Ministry also proposed electing soldier's spokesmen in secret elections on the company and battery level "for continued development of democracy" in the military forces. Soldier's councils are supposed to be elected on the battalion/detachment and regiment/squadron leadership levels.

An Association of GDR Career Soldiers is supposed to be founded as early as 20 January. Even a National Army Reservists Association is supposed to be launched. The

five-day week for career soldiers is being introduced on 1 March. Early morning calisthenics have already been eliminated.

Separation of the Border Troops from the National Defense Ministry and transformation into an independent guard directly responsible to the Council of Ministers is also being discussed currently. Consideration is being given to reformulating the role, position, and duties of the Border Guard within the national security system of the GDR and to encode same in the new GDR constitution.

However, the planned military reform can hardly be implemented with the old leadership forces of the NVA. The Army already got a new leader with the formation of the Modrow government. Army General Kessler was replaced in November, 1989 as minister for National Defense of the GDR by 54-year-old Adm. Theodor Hoffmann. Hoffmann, who studied at the Naval Warfare Academy of the Soviet Union from 1960 to 1965 and who completed studies as a diplomate military scientist, became chief of staff, fleet commander, and deputy commander of the People's Navy from 1964 to 1987.

Defense Minister Hoffmann appears to be firm willed about implementing a genuine military reform according to everything one has heard about him. He has, in fact, belonged to the SED since 1956, but he has intimated he wants to lead the military forces away from the guardianship of the party. In December, Defense Minister Hoffmann appointed 45-year-old Vice Admiral Hendrik Born his successor as commander in chief of the People's Navy. Born attended the Military Academy of Soviet Naval Forces from 1972 to 1976 and completed his studies as a diplomate military scientist there. He has been commander of the First Fleet of the People's Navy since 1984.

Wolfgang Reinhold, the 66-year-old Colonel General who had been incumbent commander of Air Forces and Air Defense and deputy Minister of Defense since April, 1972 previously retired from active military service at the beginning of December. Lt Gen Rolf Berger, 53 years old, a member of the SED since 1955, became his successor as commander of the Air Forces and Air Defense. Berger graduated from the "Friedrich Engels" Military Academy in Dresden. He is a "Decorated Military Pilot" of the GDR and had been deputy commander of Air Forces/Air Defense and chief of staff of the Air Force of the GDR since 1986.

Three additional previous deputy defense ministers have been replaced effective 1 January: Col. Gen. Fritz Streletz, the 63-year-old former commander of the Supreme Staff of the National People's Army; 60-year-old Col. Gen. Horst Bruenner, commander of the Main Political Administration of the NVA, and 64-year-old Col. Gen. Horst Stechbarth, commander of Land Forces.

No successor was named for Bruenner, who had been commander of the Main Political Administration of the NVA as Heinz Kessler's successor since December,

1985: the main political administration has ceased its activities. Streletz had been deputy defense minister and commander of the Supreme Staff of the NVA since January, 1979. New commander of the Supreme Staff is now 55-year-old Lt. Gen. Manfred Graetz, who had been deputy defense minister and commander of services behind the lines since February, 1986. Graetz, who joined the barracked People's Police in 1952, is a graduate of the Armored Forces Academy of the General Staff Academy of the Soviet Union (1971-73). He was commander of the Military District of Leipzig from 1983 to 1986. As recently as March of this past year, Graetz appealed in an article in the NEUE ZEIT—the organ of the Christian Democratic Union of the East—for achieving a formative offensive incapacity of NATO and the Warsaw Pact. A Marine, 57-year-old Vice Adm. Hans Hoffmann, became Graetz' successor and commander of services behind the line.

Horst Skerra, a 59-year-old Lt. Gen., who was commander of the operational administration of the Supreme Staff during planning and completion of the construction of the wall on 13 August 1961, is new commander of Land Forces. He led an Honor Guard of the National People's Army at the 10th Party Congress of the SED in 1981. Leading the formation, Skerra marched into the Great Hall of the palace of the Republic and read a greeting to the Party Convention. It read in part: "We, the soldiers of socialism, promise the SED and its Central Committee: we will carry out every military order with profound faith in the policies of the party for the realization of its general policy, even in complicated, trying situations." It certainly must be questioned if a General, who once promised such a thing to Honecker, is the right man for implementing the declared military reform.



## GERMAN DEMOCRATIC REPUBLIC

### Continued Development of Nuclear Power Urged

90EG0098A Rostock OSTSEE-ZEITUNG in German  
9-10 Dec 89 p 3

[Interview with Dr. Reiner Lehmann, general director of the Bruno Leuschner Nuclear Power Plant Combine, by Karin Gehrke: "In Six Months Will Everything Be Over in the GDR?"; date and place not given; first paragraph is OSTSEE-ZEITUNG introduction]

[Text] OSTSEE-ZEITUNG spoke with Dr. Reiner Lehmann immediately before his departure for the special session in Berlin.

[OSTSEE-ZEITUNG] Can socialism still be saved in this country?

[Lehmann] I am not yet seeing any turnaround in economic policy, and this is connected with an enormous danger for our country. We must reform the economy very quickly, or else the GDR will be economically infiltrated and all political efforts will be for nothing. If we gamble away the economy, we can say what we want in politics; everything will be over with in six months. I have studied in the Soviet Union and I follow perestroika very carefully. The reorganization of the economy has been neglected here as well. We can see the results. We must correct things very quickly.

[OSTSEE-ZEITUNG] What do you envision for your area of responsibility?

[Lehmann] I'm going to Berlin with quite concrete ideas, as well as for a discussion by all general directors with Prime Minister Modrow, where, on behalf of the great combines for brown coal, gas, and electrical energy in the energy industry, I will present our joint position on energy policy. We want to make our concrete contribution for the economic renewal of the country. I had expected, and I was not the only one, that we would have been asked earlier. We have agreed that as a matter of principle the energy industry must be changed. Our strategy rested on raw brown coal. The burdens on both the environment and the population are well known. There is only one possibility: to achieve short-term changes by importing more natural gas, that is to say to increase this import considerably. In the long term we must develop nuclear power plants of the highest quality. Our present energy concept can no longer be realized. We must develop a wise economic policy, in close cooperation with the Soviet Union and Western nations. For our mutual benefit. But on no account should it come to a privatization of enterprises in the basic industry.

[OSTSEE-ZEITUNG] So what is the level of nuclear energy use in the GDR?

[Lehmann] The GDR is one of the nations in of world which were first to begin peaceful utilization of nuclear energy for the production of electric power. We can look

back on more than 20 years of production experience in nuclear power plants and we possess a very experienced and highly qualified body of employees. Altogether, there have been no events during the 76 reactor years completed so far which in any form whatsoever could have led to exceeding the limits for radiation in the nuclear power plants or in their surroundings. At the moment we have five operating reactors in the GDR. These are the Rheinsberg nuclear power plant (taken into operation in 1966) with a capacity of 70 megawatt (MW), as well as four blocks at the Greifswald nuclear power plant (start of operations 1973-79) with a capacity of 440 MW each. Both plants belong to the Bruno Leuschner Nuclear Power Plant Combine. In 1988 about 10 percent of the electric power in the GDR was produced by nuclear energy, which corresponds to three percent of the primary energy used. At Greifswald a fifth 440-MW block has been undergoing testing since 1989 and will be entered into continuous operation in the first quarter of 1990.

[OSTSEE-ZEITUNG] It is known that there is further construction going on in Greifswald and that a nuclear power plant is being built in the vicinity of the city of Stendal. What is the present status?

[Lehmann] The construction of new nuclear power blocks is urgent and must be undertaken at a faster rate, since, as I said, under these conditions in the GDR there are no other real alternatives to the raw brown coal. This is provable from both economic and ecological aspects. In concrete terms, it looks like this: Another three blocks are being built at the Greifswald nuclear power plant, the last of which will be put into operation in 1993. The Greifswald nuclear power plant will thus be the largest nuclear power plant in the GDR with 3,520 MW installed capacity. At Stendal a total of four blocks with 1,000 MW each will be built by the end of the 1990's, two of which are now under construction and two of which are in preparation.

[OSTSEE-ZEITUNG] What does the GDR's nuclear energy strategy look like in general? Is there something like a nuclear energy program in the GDR?

[Lehmann] I believe it is urgently necessary that our government be presented shortly with a new energy program, in which nuclear energy is also correspondingly taken into account. In my opinion, this program is of such strategic importance to the economy of our republic and to environmental protection, that it should be discussed and confirmed by the People's Chamber. The framework conditions for this are relatively clear to me. Since the amounts of brown coal produced for various reasons have reached their maximum allowable level and in the future must be reduced, no more large power plants can be built based on raw brown coal. The last 500-MW block at the Jaenschwalde power plant came on line in March 1989. The growth in demand for electric power, according to information by the World Energy Conference in Montreal in 1989, amounts to two to three percent in all industrial nations as well as in the so-called

threshold nations. This figure also applies to the GDR, on condition that the primary energy increase will be less than one percent, which cannot be regarded as certain at the moment. In order to meet this demand, on the one hand structural change and more effective savings measures are required in the national economy, and on the other hand the construction of additional nuclear power plants to meet the demand for electric power are more urgent than ever.

[OSTSEE-ZEITUNG] Our readers are also interested in what the situation for nuclear power is around the world.

[Lehmann] At the end of 1988 there were, according to the statistics of the International Atomic Energy Agency (IAEA), 428 nuclear power plants in 26 countries, with which 16 percent of the world's energy requirement was being met. The situation differs greatly: France and Belgium produce more than 70 percent of their power from nuclear energy, Sweden about 50 percent, in the FRG it is about 40 percent, in the United States about 20 percent, in Japan 23 percent, and in the USSR about 10 percent. The future position of the individual countries also varies a great deal and depends primarily on what alternatives to nuclear energy are available at favorable cost. Since oil prices have dropped by nearly half in the last 10 years and the increase in demand for electric power is smaller than planned (there were prognoses for growth rates of up to 10 percent a year), but safety costs for the nuclear power plants have gone up significantly, interest in building additional nuclear power plants and the expansion rate of the nuclear energy base have decreased in countries with a large reserve capacity for supplying electric power—among which the GDR most certainly is not. The United States, for example, has not ordered a nuclear power plant since 1978, but 12 are still under construction from the previously adopted program. Meanwhile, voices are heard in favor of a renaissance for nuclear power, because burning fossil fuels makes the danger of irreversible consequences through the introduction of CO<sub>2</sub> increasingly more acute. I recently read that even one of the largest and oldest of the environmental protection organizations in the United States, the National Audubon Society, has advocated the development of new nuclear reactors for this reason.

[OSTSEE-ZEITUNG] How are we going to use district heat from nuclear energy, what experience is there for this?

[Lehmann] This has become a natural thing for Greifswald residents. In December 1983 we began to supply the first new buildings with heat from the nuclear power plant. Today, 14,500 apartments, 45 industrial enterprises, 15 schools, a greenhouse, and many other places are connected to the district heat grid. Altogether, in the winter a maximum of 225 MW heat is delivered. Since the present experience is without exception positive, starting with the air being kept pure and ending with the reliability, the expansion of the district heat grid will be continued. Thus, as for the heat supply, which in practice

is not being fully utilized, Greifswald could potentially—and this is singular in the GDR, as I understand it—get rid of chimneys completely in a short time. I see this as a very tangible contribution by nuclear energy to the solution of our urgent and very practical problems. The Stendal nuclear power plant will also undertake to supply heat, and one is considering going so far as to include the city of Magdeburg as well at a later time.

[OSTSEE-ZEITUNG] One question which preoccupies a lot of people: How safe are the nuclear power plants, in particular, of course, those built in the GDR?

[Lehmann] In the GDR we have all the technical and manpower conditions for operating the nuclear power plants safely. The discussions, as well as the safety considerations for peaceful use of nuclear energy, which are not easy to understand even for technically trained laymen, unite an equal number of those who are genuinely concerned and, unfortunately, those with pseudo-scientific opinions. The question must therefore be put somewhat more accurately: Under what conditions can a nuclear power plant be operated safely? In practice this means, for example, that expenses for safe operation of an older nuclear power plant, such as periodic controls or add-on measures, are greater than for a nuclear power plant that has just started up. The process of adding on cannot be continued forever, of course. A concrete example is the Rheinsberg nuclear power plant. Taken into service in 1966, it was extensively rebuilt in 1986-87 in order to be able to keep it operating until the end of its normal useful life in 1992. After that, it will be shut down. Our combine spends 75 million marks annually just for safety research.

[OSTSEE-ZEITUNG] There are many other questions. We would like to publish the subject of nuclear energy, which until now has been taboo, in our newspaper in order to help reduce the reservations and to contribute to the social acceptance of nuclear energy. You wouldn't have anything against that?

[Lehmann] On the contrary. That would be in our mutual interest.

## CZECHOSLOVAKIA

### Slusovice Pricing System Criticized

90EC0164C Prague HOSPODARSKE NOVINY in Czech 1 Dec 89 p 3

[Article by Doc Eng Frantisek Trnka, candidate of sciences, economic deputy, Slusovice Agricultural Combine: "Egalitarianism Does Not Lead to the Top. Prices: a Brake or an Accelerator for Entrepreneurship?"]

[Text] We have published relatively many articles in our newspaper dealing with the negative experiences of enterprise practices involving price formation. And because, in their totality, they presented an adequately plastic picture of the actual situation, we have no wish to carry coals to Newcastle. All the more so since an

adequate response to the posed question was not provided by the central authorities. Consequently, our decision to publish yet another contribution on this topic was based only on unworn and polemic views which differ from the standpoints hitherto published.

Currently valid regulations for price formation do not stimulate scientific-technical development because the prices of new progressive products are relatively low and profits are frequently lower than those involving obsolete products. These are our experiences, as well as the experiences of other enterprises.

### A Barometer of the Economy

The current price does not promote the development of an enterprise because, among others, it levels the income of individual economic organizations. For an enterprise to develop, it must be in a position of always achieving extraordinary profits for a limited time if it presents a new product (but a truly new product and not one which has simply been renamed). This extraordinary profit is the source for production development. It is also a source for the better social standing of the collective of employees. All of this stimulates additional intensive development and causes the collective to be interested in improvement, innovation, and in developing the enterprise. The interest on the part of the working collective is an inexhaustible source of economic growth and that is why economic instruments should be adjusted so as to support and bring about this interest, rather than attenuating it.

If we wish to apply market-price relationships in the economy, then the price must reflect the value and value must be modified by supply and demand. Given a balanced state, the aggregate total of prices is equal to the total created values, but individual prices always varied and will vary from the value levels. We are not in a position to accurately compute this figure. Every computed price, even if it is computed by means of the most thorough of methods, is not an economic price, but an established price. How can we calculate economically if we do not have and do not know the value prices, if we are not familiar with the "views" of the consumer?

Prices function and exert their influence throughout the economic system. They cannot function if the remaining economic conditions do not reflect their functioning. If we intervene in the formation of prices with administrative measures, a chain reaction occurs which disrupts the other economic relationships.

### Good Intentions To Assist the Weaker

The restructuring of prices was driven by an effort to create fair conditions for various enterprises in starting them into the new economic system. The enterprise has the right to include in its pricing the material and wage costs at the level of their actual consumption and operating costs increased by supplemental wage taxes. In agricultural organizations, prices include a uniformly calculated profit of 12 percent of processing costs.

According to this system of calculation, a substantial decline in revenues occurred with respect to so-called associated production engaged in by unified agricultural cooperatives, particularly in enterprises having a high degree of technical development. The regulations formulated in this manner have a salutary effect in enterprises with obsolete equipment. A less developed enterprise regularly has higher wage costs. In view of the fact that overhead costs are derived from wage costs and that profits are derived from wages costs and overhead, an enterprise which has higher wage costs is better off in the event the percentage of profit is firmly set. With the good intentions of helping the weaker enterprises, we are creating better conditions for worse enterprises, but, in the final results, we are leading them toward stagnation.

The created profit is the basis for the reproduction of all factors of production and, therefore, it is more correct to compare profits with total inputs. We obtain a picture of the possibilities for expanded reproduction given various levels of prices. Model calculations very convincingly confirm the correctness of this consideration.

It is generally known that the foremost developed enterprises are the carriers of social progress. To the extent to which we do not give them the opportunity to continue their development, we are hampering their progress—and, through those results—we are even hampering the progress of less developed enterprises.

The methodology used to calculate prices is incorrect also because it stands in the way of applying new findings of science in production. This is primarily so because it takes into account only so-called processing costs, that is to say, wage costs and overhead. I shall list a simple schematic example below.

Item	Price	
	Before Technical Improvement	After Technical Improvement
Material	100	100
Wages	10	5
Overhead	40	20
Profit	6	2

By introducing technical improvements, by increasing productivity, and by accomplishing savings in direct wages, the share of overhead costs is lowered because they are calculated as a percent of wages. And profits are calculated from wages and overhead. It is difficult to comprehend on what logical basis this calculating formula was established. But one thing is certain. Such computations act as a brake on technical progress. It is to the advantage of enterprises to produce products which embody a high amount of live labor and high material expenditures.

In practice, this system functions completely without error. One of our products in the past was the production of 8-bit TNS computers. Today, we are limiting this production, but in its time it was a computer which was

very appropriate for our conditions. We constantly forced employees of this production center to rationalize production and to lower costs. And, in general, we succeeded. Some processes were automated and radically reduced the consumption of live labor.

One of the innumerable checks was used to verify price calculation and because labor intensity was already lower (all within the course of a single year) we were expected to immediately lower profits. And we were not to anticipate that the temporary supplemental profit was a "reward" for greater efforts to rationalize production.

Price control employees were proceeding correctly, they assessed a supplemental and high penalty. And the results? The goal was attained. The enterprise did not enrich itself in an unauthorized manner, but it also had no funds left over to expand production, to undertake additional modernization, to further develop microelectronics. And so, not even the national economy had new computers on hand rapidly. Although they were "expensive," at least they were available. This contributed still further to hampering social progress.

#### Fair Conditions = Mediocrity

Fairness perceived in this manner is leading the economy down a blind alley. It creates conditions of egalitarianism and, thus, mediocrity. And mediocrity cannot engender peak performance, cannot produce peak products, a top economy, and a peak standard of living. But what is most important—it cannot prevail in the competition with the rest of the world.

A higher price makes it expressly possible to reproduce in an expanded manner. And the expansion of production according to the classic rules saturates the market and compels a reduction in prices—even in the case of monopoly-type producers. Goods which are available only to some strata of the population thus gradually become accessible to groups with lower incomes and a high level becomes the current standard. The spiral begins to spin. For the leading enterprise to succeed, it must come up with a new and again unusual and key product and the process is repeated.

This is the way the natural stimulus occurs which increases productivity in selected branches, which results in lower prices, and, primarily, in sufficient numbers of products. This "infection" spreads and gradually involves more and more enterprises in this process.

In order for the above-listed economic rules to function, enterprises must be left with a significant portion of their "extraordinary profits" which result from the introduction of new key products. As long as these extraordinary profits are siphoned off as being "undeserved," let us not expect social development. Economic (as well as psychological) legalities are merciless and are enforced without our will.

The objection that the siphoned-off funds are again redistributed and designated to be used for the development of enterprises does not hold up. The basis for the erroneous approach is this very redistribution. The created funds are not further utilized by the entity which created them and which has a natural interest in allocating them to the expansion of the reproduction process. They are utilized by entities which did not create them, entities which are at a low level of economic expansion, entities which have an inadequately active intraenterprise economic system and which are, therefore, inefficient. Every redistributed koruna which is invested in such an enterprise results only in a small measure of utility.

#### Cost Prices, Limited and Free Prices

If we wish to change the formation of prices, we cannot proceed in a frontal manner, but must proceed gradually. An acceptable way lies in sorting the manufactured output into the following types of products:

1. Essential (basic), necessary to the majority of the populace. These are foodstuffs, basic clothing, dwelling units, etc.,
2. Temporarily essential (necessary) to support the function of the national economy (steel, coal, energy, transportation, etc.),
3. Peak products, that is to say, those which are new and are the carriers of scientific-technical progress.

The majority of essential and temporarily essential products belong qualitatively, for the present, in a group of products produced with average and below-average technology and, thus, even belong to a group of products which are qualitatively at a low level.

Schematically, it is possible to express the concept of the approach to price formation which would stimulate economic development as follows:

Classification of Products		
Below-average products (about 20 percent)	Average products (about 55 percent)	quality products* and high-quality products (about 20 percent)
Price Formation		
Cost prices	Limited prices	Free prices
* Quality products are almost always produced on key equipment and technologies.		

Cost prices and limited prices make it possible to regulate price formation from the center. This is the method which could have been used to regulate prices of up to 75 percent of all products in the previous era. By a rough estimate, some 25 percent of our products could stand a comparison with European or worldwide levels. These are technically demanding peak programs and result in products which are of interest to consumers as a result of

their high utility value, products which produce modern equipment, and quality materials for further processing.

Key products should be subject to free price formation, prices which should be established by agreement between supplier and consumer. The remaining majority of products would, for a limited time, be categorized in the category of limit prices, the producer could not exceed the upper limits of prices set by pricing organs, primarily on the basis of comparisons with world prices.

The Slusovice Agricultural Combine this year introduced the production of nonalcoholic Pepsi-Cola. There is considerable interest in this product. It certainly is not essential and, thus, does not fall into the category of products for which prices should be firmly established.

The retail price of this beverage was established in relation to the retail packaging of 0.25 liter, which is sold for Kcs 4.20. The price for a 1.5-liter package comes out at Kcs 25.20 and was set at Kcs 25.00. For the present, sales are handled by a special distribution network and the beverage is available for sale by contract. Up to this point, everything is in order and the consumer does not suffer any damage. However, the producer suffers damage as long as the price established in this manner holds for nationwide sales. I shall list the pertinent calculations.

Retail price for 1.5-liter bottle	Kcs 25.00
Commercial reduction from retail price, 40%	Kcs 10.00
Commercial price	Kcs 15.00
Turnover tax, 36.11% of commercial price	Kcs 5.42
Wholesale price	Kcs 9.58

The producer, who is providing the technology as well as raw materials for the beverage and the packaging on the basis of imports (all from its own foreign exchange holdings), obtains a lower share of the retail price than does a commercial organization which, by expending a minimum of funds and without taking any risk, obtains relatively more. At that, the wholesale price which is derived in this manner is below the level of production costs and represents a money loser for the producer. Can the producer have an interest under these conditions in introducing novelties which are undoubtedly at world levels?

It would be possible to list a number of similar examples from our practice. We must urgently pose the question: Who established these rules; by what criteria was he guided? And primarily—Whom does this type of price formation serve?

It would probably be difficult for us to permit free price formation in the case of products which are essential to the basic lives of the majority of the populace. Even in this sector, it is essential to gradually rationalize price formation.

This problem is solved by some developed countries (for example, the FRG) by firmly establishing the price for

the basic quality of product (for example, milk). All other types of refined milk, skim milk, and otherwise processed milk are subject to free price formation. The commercial organization has a firmly established surcharge for each liter of milk sold, without regard to its quality and, thus, also its price. It thus has no interest in selling only the most expensive merchandise, but is interested in selling the entire available assortment. The commercial organization signals the magnitude of orders for individual types of products, telling the producer how much of which product he should produce and whether it is necessary to adapt the prices to the demand. This assures the availability of standard-quality goods for broad consumption and, at the same time, stimulates the production of quality types of foodstuffs, primarily through the means of nonprice measures.

Over the long pull, the living standard of that portion of the populace having lower incomes should be adjusted through the use of such nonprice-oriented advantaging.

The functioning of the national economy is also dependent upon sectors which have been developed over many years and which are essential to the functioning of the national economy. These are sectors such as energy, metallurgy, etc. Not even with regard to this group of producers is it possible to make radical changes in the pricing system immediately. It is necessary to gradually use pricing measures to bring these sectors to the desired level. Here, we are speaking of the entire functioning of the national economy, not merely the pricing system. While it has its basic significance, it does not function in a vacuum. Not even the pricing system can function by itself if the entire system is not functioning.

### Economic Processes Cannot Be Legislated

I believe that change should come gradually. And it is precisely the third group of products which are not completely essential to the life of the individual or to the basic functioning of society which offers itself for the creation of conditions governing the gradual functioning of the economic system and the pricing system which it contains.

It is certainly true that we do not need the above-mentioned Pepsi-Cola as a life-essential commodity. But it is a beverage which has a very good level and is in demand in world markets. A similar situation prevails, for example, with respect to some types of dairy products, some types of consumer industry products, electronics products, in other words, products which, on the basis of their technology and their technical execution, are at peak world levels. However, they will never be in our market in sufficient quantities as long as we do not stimulate their production. And we can accomplish this provided the price is very advantageous to the producer. In other words, when the price is established on the basis of supply and demand.

Because Czechoslovakia continues to be a producer's market, the fear is justified that if price formation were relaxed it would lead to the inflationary uncontrolled growth of prices. We are, thus, inside of a magic circle. It

is not possible to free price formation because an inflationary spiral would ensue and as long as we do not free the formation of prices there are not enough stimuli to ensure economic growth.

What is the way out of this situation? This economic system did not come about overnight; it was developing over entire decades. Therefore, it is not possible to solve the price problem in one fell swoop. It is not possible to stipulate, in the economy, that effective on a given date the system will function differently. This is economic voluntarism which always causes much damage. Economic processes cannot be legislated, but they can be recognized and channeled. Therefore, even prices and the other economic instruments must be "regulated" gradually and not suddenly.

It is an entrenched illusion to maintain that, under socialism, all enterprises must prosper and it is even a greater illusion to claim that all enterprises must prosper alike. Toward this end, it is alleged to be necessary to create equal so-called starting conditions for them.

There is no greater error than to try to create identical conditions for enterprises so that they might manage equally well (but more likely equally poorly). Every enterprise is a "social individual," has different external and internal conditions, a different environment, different historical developments, and a different enterprise culture. And we would wish for them all to be equal. Although no one has formulated it in quite such sharp terms, the entire economic system is constructed in this manner.

In agriculture, we have been attempting for decades to create equal conditions for all cooperatives, we are applying equalizing economic instruments yet the distinction between cooperatives as to their results and the pace of development remains the same. There are enterprises which are extraordinarily good, the majority are average, and there are unified agricultural cooperatives which are permanently bad. It is true that internal advances take place and that there is an overall rise in the level, but the structure of their division is similar. How much better for the development of agriculture as a whole it would be if we approached individual enterprises in a differentiated manner and made it possible for them to undergo differentiated development. The foremost enterprises would become the natural focus of progress.

And it is precisely the formation of prices which can expressly accelerate this process or it can expressly retard it.

#### Editorial Board Looks to Future

90EC0164D Prague HOSPODARSKE NOVINY in  
Czech 1 Dec 89 p 1

[Article by Editorial Board of HOSPODARSKE NOVINY: "What We Are Thinking About"]

[Text] We are well aware that the transformation in politics is just beginning. And yet it is precisely this

transformation which is the source of justified optimism that a system of such political relationships and such a political atmosphere will be created—even though it will entail great difficulties and be accompanied sometimes with errors and—what not all of us are necessarily aware of—also unfortunately accompanied by some losses, which will make it possible to unfold forces to develop the economy and to fulfill its social meaning.

Whenever, in recent years, we have published an article in HOSPODARSKE NOVINY which touched more deeply on the serious problems of our economy, we would hear from readers: "We know all that quite well ourselves, we know from our own experiences or from other sources that this is so." These were materials obtained both from theoretical work sites and also from many tens of employees of industrial, agricultural, and other enterprises, pointing out the actual status of things. Our readers have known for a relatively long time of the adverse developments in our national economy and of the inadequacy of the paths chosen as remedies. The existing system of management, if it reacted at all to serious stimuli and information, did so formally, with half-measures or not at all. The deafness and blindness demonstrated by the political leadership, which sought a way out in half-measure reforms and did so under pressure, are the actual and fundamental reasons for the fact that a lack of responsibility and a devaluation of the value of honest work became established in our economy.

In the past, many were forced to fail. Not even the media fulfilled their political role with satisfaction. We are aware of this even where our work is involved. We do not overlook our guilt, the guilt of the editors of HOSPODARSKE NOVINY for minimizing some critical materials. Even so, in many instances, we could not avoid conflicts with bureaucratic centralism, conflicts which stood in the way of our initiative with considerable ruthlessness. Even though we attempted to utilize space for information and for the exchange of views to the maximum, we obviously needed to present questions with more urgency.

The transition toward a modern market economy will be complicated and difficult in many aspects not only for the state administration and for enterprises, but for every economically active citizen. HOSPODARSKE NOVINY must and wishes to aid this process better than hitherto by disseminating information and other documentation necessary to employees of enterprises and by brokering an exchange of views between economic employees in enterprises, the state administration, and economists-theoreticians.

The current situation in our national economy and the overall status of our society urgently requires a free polemic exchange of views as to how to proceed, how to gradually overcome the specific problems besetting our national economy—and they are not few. What should be involved here is an open dialogue without ideological barriers. We wish to open the pages of HOSPODARSKE

NOVINY to it. However, a condition should be veracity, pertinence, and the professional basis of published views and positions. As we have done thus far, we shall attempt to avoid phrases, demagoguery, and cheap superficiality.

We will resist tendencies to irresponsibly promise a simpler economic life. We believe that we face primarily hard work. The creation and the subsequent utilization of national income were developing for a long time and are developing in an unfavorable manner. For a considerable time, specialists were drawing attention to the fact that we are spending more than we are creating. This was also heard in the pages of HOSPODARSKE NOVINY even though we clearly should have given these voices more emphasis. The remedy for the deformations in retail prices, much like the desired limitation of subsidies, will undoubtedly bring about even some unpopular steps and, in some cases, will even result in increasing living expenses. But it is, after all, necessary to see things the way they are.

Our great wish is to give space to the words of primarily young people. We are aware of the fact that we are facing a change in generations in management functions. Therefore, we shall be happy to lend the pages of HOSPODARSKE NOVINY to young employees who are just beginning in these functions in industry, agriculture, and in the service industries, so that they could help formulate economic policy with their views. After all, it is precisely the young people who will carry most of the results of current decisions and carry them for a longer period of time. And let us not delude ourselves; over time, some of these decisions could turn out to be wrong.

We will be much concerned with the experiences of enterprise employees. Many times we have become convinced that it is precisely they who frequently came up with specific proposals and initiatives which were proven later in practice. And the concept of introducing a consistent market mechanism poses questions as early as today.

We face a radical economic reform which will require an appropriate legislative base. However, enterprises need to know as soon as possible what binding rules will regulate their activities. Consequently, we must provide information even on regulations which might be new, but which will clearly be applicable only on a temporary basis.

As far as the basic discussion among economists-theoreticians is concerned, which was published in the pages of our newspaper, only a part of that discussion aroused attention and was commensurate with the requirements of the times. Frequently, it was merely the publication of monologues; later, the brokering of initiative thinking from abroad, particularly from the Soviet Union. However, the results of economic analyses published by us, as well as the new and at the time nonconforming thinking of leading specialists from some theoretical work sites, particularly from the Prognostication Institute of the Czechoslovak Academy of Sciences and others, were the subject of extraordinary reader acceptance.

We are honestly interested in creating a good economic newspaper. Whether we will be successful, that is something that you, our readers, will judge. This is why we are following your views, your criticisms, and your suggestions pertaining to our work, which we are now receiving in greater numbers than hitherto in response to our public inquiry questions which we posed for you during the 1st half of November, with great care.

Our work never had a uniform reception and this would not even be natural. This will surely be the same in the future. However, we are concerned with seeing the growth in the number of those readers who will consider HOSPODARSKE NOVINY as a useful aid in their work, as a source of truthful information on our economy as well as on world economics, as a platform for discussion, but also for polemics as to how best to rapidly change economic matters for the better with the minimum of risk. In view of the anticipated changes involving the jurisdiction and relationships between the social and managing structures, it will also be necessary to judge the question of the publisher of HOSPODARSKE NOVINY.

Our society is confronting unprecedented reforms. Even we on the Editorial Board are earnestly thinking about and discussing what to do and how to do it so that HOSPODARSKE NOVINY would remain as your newspaper in the future as well.

## HUNGARY

### Abuse of Privatization Analyzed

25000572 Budapest HETI VILAGGAZDASAG in  
Hungarian 23 Dec 89 pp 65-67

[Article by Laszlo Merth; first paragraph is HETI VILAGGAZDASAG introduction]

[Text] What is the composition of Hungarian limited liability corporations? Who invested in these companies and how much money did they invest? These questions are raised by the author, a sociologist. In the absence of corporate statistics, he tried to find the answers by gathering data from past issues of the CORPORATE REGISTER, and from case histories. In his analysis the author spells out the opportunities available to companies that start out with insufficient funding, and to phantom limited liability corporations, which are joint enterprises only on paper.

In essence, only the CORPORATE REGISTER yields data concerning limited liability corporations, just as it does about any other entrepreneurial form. But even the CORPORATE REGISTER does not reveal everything: Light is shed on only about 10 percent of the cases with regard to the founders of limited liability corporations; frequently the figures indicating basic capital are



missing; some pages are illegible, and so on. The data that appears in the Reporter originates from Courts of Registry; it is the Court of Registry's mistake if the data is incomplete, according to the editors of the Reporter. But in whose interest is it to not publish data concerning the establishment of these organizations, and why? The probable reason is that this way the founders may "hide." That is, the frequency with which the names of individual state enterprises occur is very peculiar: Some have established a dozen single person limited liability corporations, and it is easily conceivable that, because in Hungary there are no general rules for privatization, these enterprises are using this method of salvaging state capital in the form of private capital (this situation has been mentioned by the press with regard to a few cases).

It is noticeable that almost as many limited liability corporations have been registered in Hungary as in the countryside. This explains why the Budapest Court of Registry is so overloaded with work, as well as the fact that it takes two to three months before a firm is registered in Budapest, while the same process takes only one to three weeks in the countryside. But a far more important question than this is why almost half of the business organization was formed in Budapest, where only one-fifth of the Hungarian population resides. Could it be that the people are different in Budapest? Or is it only that the circumstances needed to establish a firm are better in Budapest than they are in the countryside.

It is not difficult to recognize the fact that firms established with the legally required minimum of 500,000 forints capital (one-fourth of the established limited liability corporations are of this kind) do not represent actual economic power. In a substantial majority of the cases, at the time of their establishment these companies had only the obligatory part of the amount—250,000 forints—that had to be deposited. Accordingly, unless there are no instant sales revenues—and generally speaking the first sales revenues begin to flow in after three to five months—it would be inconceivable that a firm like that could survive for more than two to three months. Many firms pay the rather substantial legal fees involved in the founding process from these funds (between two to five percent of the founding capital), the registration fees (two percent of the founding capital) and the 10,000 forints publication fee. The remainder—or even the whole—would not suffice for a period longer than two months to pay for advertising, announcements, well paid professional employees, rental fees for business premises, and telecommunications. (For this reason it comes as no surprise that a larger part of private organizations are registered at the manager's home address.) In addition, these companies intend to obtain the other half of the founding capital in the course of one year from income produced as a result of operations.

The chances of survival for a purely private company are not too encouraging, nor are the chances of success good, unless an earlier successful entrepreneurial venture

exists in the background. Needless to say, some successful economic work collectives [GMK], civil law associations [PJT], and small tradesmen stand behind a large part of the undercapitalized limited liability corporations, entrepreneurs need these corporations, only to provide an appropriate form of operation. In other words, no serious venture may be started today without antecedents in given situations without a successful entrepreneurial background. This statement is more, rather than less, true with regard to every company formed with monetary capital of less than 1 million forints. Experience with regard to the foundation and operation of limited liability corporations thus far shows that viable, modern, well-founded ventures come about only if the basic founding capital amounts to at least 5 million forints.

There may be other solutions in addition to having an entrepreneurial background: It is the one state enterprises frequently choose. In general, these state enterprises reorganize their best performing lines of business into business organizations. They establish single person limited liability corporations, or provide an advance option to certain workers—to the "cadres"—to subscribe to the founding capital (more frequently in the form of some contribution in kind, and in fewer instances in the form of money). A glance at the table will reveal that the more strongly capitalized, fully Hungarian companies were established by Hungarian state enterprises, and of these mostly by state enterprises in the countryside, (and if we include here the joint enterprises, we find that all strongly capitalized companies were established exclusively by state enterprises). But this should come naturally at a time when 92 percent of the national property is owned by the state. Such companies may have peace of mind in initiating an enterprise, because they have a secure market, if needed, their activities are financed by the founder, and their operating expenses are minimal because in most instances they become part of the state enterprises' budgets. And in case the company would go bankrupt anyway, no more is lost than the founding capital—an amount that is negligible from the standpoint of the state enterprise.

One of the dangers associated with the establishment of this kind of enterprise is that these companies go broke if the state enterprise goes bankrupt. The other threat is that in the event the founder ceases to exist—because he goes bankrupt—a proprietary vacuum evolves: To whom does the limited liability corporation belong? Who is the founder's legal successor? The members of the limited liability corporation? Or someone else—but who? And who will pay for the bankruptcy costs?

But should these companies be regarded as real enterprises just because they operate under the limited liability corporation form? No, on the basis of lessons learned from the study of case histories. No real proprietary consciousness evolves in workers, even if they acquire some motivation to achieve results. The "owners" and employees of such companies do not want to become entrepreneurs; they would much rather earn



money. But they want money a lot, preferably as long as it is possible to earn it, until the primary founding firm that exerts a definitive force goes broke.

Quite obviously, by establishing companies several state enterprises intend to open small gates, evade wage regulations, play tactical games, and privatize as much of the use of state property as possible.

Companies short of funds have every chance of developing themselves. Such growth may be slow or spectacular, unless they engage in productive activities. It is no coincidence that in the initial period only companies of this type were formed. But by now their number has increased so much that they are choking one another. Accordingly, from among these only the fittest can survive, unless they are able to obtain credit to compete. But credit is not available. The promised resource incentives for entrepreneurship do not reach the entrepreneurial ventures. The Hungarian National Bank prefers to pay the so-called "rendering available" interest on (foreign) capital it holds, rather than to use the money for its intended purpose: to invigorate entrepreneurship. And commercial banks are not overenthusiastic about financing private ventures, because the workload involved in a 1 million forint credit is the same as it is with a 100 million forint credit. For this reason they are not eager to utilize the refinancing loans which were made available for this purpose.

Disregarding phantom joint enterprises, the interest manifested by foreign operating capital may be seen in the fact that there are hardly any entrepreneurial ventures which represent a considerable amount of capital. The large number of limited liability corporations organized with 1 and 2 million forints suggests the existence of phantom joint enterprises: Three-fourths of all limited liability corporations, and more than half of the joint enterprises, are of this kind. Phantom enterprises are established in the following manner: The Hungarian founder buys foreign exchange on the black market, then asks one of his foreign business acquaintances to act as the capitalist and deposit the money. In this way, the Hungarian becomes both the foreign and the Hungarian partner. A company like this is entitled to tax benefits of course, and in addition, the Hungarian entrepreneur receives his profits in foreign exchange after the foreign capital share, even if he did not produce a single cent of foreign exchange.

The law attempts to prevent the founding of phantom joint enterprises by registering only those companies whose foreign member owns a firm abroad. Clever people nevertheless easily make their way around this obstacle. On the other hand, foreigners who would indeed like to invest their money in a Hungarian venture but do not own firms abroad are excluded from the possibility of investing in Hungary. It is likely that more is lost in this way than could be gained.

A review of data indicates that those with real operating capital are interested in the property of state enterprises,

and primarily in the property of state enterprises located in Budapest. They are not interested in joining ventures which are short on capital. On the other hand, those with operating capital are willing to recognize state enterprise property only if they can be purchased for paltry sums of money. And there are some who give it away voluntarily while singing a song, after all they are not selling their own property. In addition, most of the time it is the small capital owned by Hungarians residing abroad that flows in. Frequently the capital is so small that it would hardly suffice for the establishment of a viable entrepreneurial venture. The firm will be established, nevertheless.

It would appear that GMK's or limited partnerships, rather than limited liability corporations, would be the appropriate forms of organization for businesses with low capital. Just how true this statement is may be seen from the CORPORATE REGISTER's applicable data. Among these one finds the broadest variety of founding capital, ranging from zero to 1 million. Entrepreneurship can and must be learned in these kinds of companies by beginning entrepreneurial Hungarians. Later on, if they succeed, they may also try the limited liability corporation form of organization.

#### Background of Assessment

In order to prepare their sociological assessment of limited liability corporations, GMK's, stock corporations, joint enterprises, and business associations, researchers reviewed the issues of the CORPORATE REGISTER published thus far, and prepared case studies. At the editorial offices of the CORPORATE REGISTER they learned the following from the data contained in the first 28 issues, two of which have not been made public yet. On 2,412 pages of the CORPORATE REGISTER, data pertaining to 6,230 newly formed firms were published, and changes in data pertaining to 1,300 firms were reported. More than half of the firms formed were limited liability corporations, about one-fourth of them were newly formed GMK's, while the rest were stock corporations, joint enterprises, limited partnerships, and business associations. While performing research it turned out that the CORPORATE REGISTER is just as useless a research tool as it is expensive. It may be purchased for 150 forints; firms are obligated to pay 10,000 forints to have their data published. In the end it was possible to figure out the correct data from the mutually contradictory data. On the other hand, in some cases the researchers did not get too far: They were unable to accurately determine how many limited liability corporations were established by private persons, how many were formed by private persons and state enterprises, and how many are creations of state enterprises only. This suggests that there may be a larger number of mixed nationality joint limited liability corporations than what we showed in our tables. In such cases the researchers made decisions as to the category to which a firm belongs only if an expressed reference was found to that effect.

In essence, no more can be said about the stock corporations than what is shown in the applicable table. The small number of limited partnerships, business associations, and joint enterprises also makes it impossible to draw conclusions from the standpoint of sociology. The researchers did not analyze the large number of newly formed GMK's because on the one hand the size of their capital and the field of their entrepreneurial activities is

highly dispersed and essentially cannot be typified, while there are so many old GMK's that newly drawn conclusions could not apply to all Hungarian GMK's, on the other hand. For this reason the researchers analyzed only the limited liability corporations in detail. In the 26 issues of the CORPORATE REGISTER that were analyzed, they found 2,600 limited liability corporations and 102 stock corporations. Our tables include only the basic data.

**Classification of Limited Liability Corporations  
According to Their Founding Capital**

	Millions of Forints of Founding Capital				
	1	1-2	2-5	5	Total
Total	1,117	748	322	411	2,598
Budapest share of total	598	330	149	187	1,264
Established with monetary and other capital contribution	544	504	241	330	1,619
Budapest	268	239	90	144	741
Established with 0.5 million forint monetary capital contribution	366	225	**	**	591
Budapest	173	88	**	**	261
Established with a 0.51-0.99 million forint monetary capital contribution	178	189	65	**	432
Budapest	95	97	30	**	222
Established with a 1-1.99 million forint monetary capital contribution	557*	303	119	25	1,020
Budapest share	330*	131	50	8	519

\*Founded with exactly 1 million forints of capital

\*\*Below five, cannot be interpreted from a statistical standpoint

**Classification of Limited Liability Corporations with Hungarian Capital  
Contribution Only, According to Their Founding Capital  
(100 percent private corporations in parentheses)**

	Millions of Forints of Founding Capital								Total	
	1	(906)	1-2	(589)	2-5	(160)	5	(63)		
Total	1,031	(906)	721	(589)	303	(160)	315	(63)	2,370	(1,718)
Budapest share of total	528	(499)	306	(279)	137	(81)	126	(29)	1,097	(888)
Established with monetary and other capital contribution	516	(446)	493	(403)	223	(105)	258	(51)	1,487	(1,005)
Budapest	245	(228)	230	(215)	79	(47)	98	(23)	652	(513)
Established with 0.5 million forint monetary capital contribution	345	(323)	224	(189)	**	**	**	**	569	(512)
Budapest	159	(156)	87	(82)	**	**	**	**	246	(238)
Established with a 0.51-0.99 million forint monetary capital contribution	169	(120)	179	(156)	62	(42)	**	**	410	(318)
Budapest	87	(72)	88	(84)	27	(20)	**	**	202	(176)
Established with a 1-1.99 million forint monetary capital contribution	517*	(463)*	294	(225)	111	(16)	24	(4)	946	(708)
Budapest	283*	(252)*	123	(109)	46	(18)	8	(1)	460	(380)

\*Founded with exactly 1 million forints of capital

\*\*Below five, cannot be interpreted from a statistical standpoint

**Classification of Limited Liability Corporations with Foreign Capital Contribution,  
According to Their Founding Capital  
(limited liability corporations with Hungarian state enterprises as their members in parentheses)**

	Millions of Forints of Founding Capital									Total
	1	(8)	1-2	(—)	2-5	(3)	5	(70)		
Total	86	(8)	27	(—)	19	(3)	96	(70)	228	(81)
Budapest share of total	70	(7)	24	(—)	12	(1)	61	(47)	167	(55)
Established with monetary and other capital contribution	31	(2)	11	(—)	18	(2)	72	(52)	132	(56)
Budapest	23	(1)	9	(—)	11	(—)	46	(33)	89	(34)
Established with 0.5 million forint monetary capital contribution	21	(1)	1	(—)	1	(—)	—	(—)	23	(1)
Budapest	14	(—)	1	(—)	0	(—)	—	(—)	15	(—)
Established with a 0.51-0.99 million forint monetary capital contribution	9	(1)	10	(—)	3	(—)	—	(—)	22	(1)
Budapest	8	(—)	9	(—)	3	(—)	—	(—)	20	(—)
Established with a 1-1.99 million forint monetary capital contribution	56*	(5)*	9	(—)	8	(—)	1	(—)	74	(5)
Budapest	47*	(1)*	8	(—)	4	(—)	—	(—)	59	(1)

\* Founded with exactly 1 million forints of capital

**Classification of Stock Corporations According to Their Founding Capital**

Designation	millions of forints of founding capital					Total
	10	10-50	50-100	100-500	500+	
Total	7	42	25	21	7	102
Budapest share of total	3	25	10	17	6 *	61
Established with monetary and other capital contribution	3	25	25	18	7	61
Budapest	2	21	10	9	6	56

\* Of these, four were founded with more than 1 billion forints of capital

Source: the author's calculations based on late September 1989 data

**Law on Transformation, Government Theory for Privatization Disputed**

25000567 Budapest FIGYELO in Hungarian  
21 Dec 89 p 3

[Article by Istvan Csillag, associate at Financial Research, Incorporated: "Privatization: Competing for, and Having a Stake in Transformation"; first paragraph is FIGYELO introduction]

[Text] The author, an associate at Financial Research, Incorporated, describes possible useful changes in the Law on Transformation, and disputes the validity of certain governmental concepts which perceive privatization by way of re-nationalization. Some of these governmental views have appeared in FIGYELO, e.g. statements by Tamas Schagrin and Henrik Auth in No 46 and No 47 of 1989.

By no coincidence, market economies proceed with much more caution when they privatize, than what the provisions of the Hungarian Law on Transformation

prescribe. They treat each case individually, but meanwhile they develop mechanisms by which social advantages and disadvantages can be compared, and which ascertain that each social group aspiring to obtain public property has equal opportunity to do so. This takes place under continuous control, extending to every detail.

In framing the law, reformers fell into a trap when they thought that impersonal mechanisms spelled out in the form of general requirements, the Law on Transformation, could serve as a substitute for the sensitive, complex mechanisms of reconciling societal interest with those striving toward equal opportunity in acquiring property. Virtually each case in which a state enterprise is transformed into a corporation demands individual treatment—legal provisions designed to fit all cases cannot be applied. Or, if it is possible to write legal provisions of general applicability, they should contain basic principles only. In addition, transformation must not take place on a decentralized basis, with information scattered all over. Legitimate and fair proprietary reform demands that de-nationalization of state property—call it privatization or socialization if you will—take place on

a centralized basis. Equally, details concerning the property involved should be made part of the public record on a mandatory basis, so that this kind of information may be publicized and that opportunities offered may be compared with offers received.

### Three Basic Principles

The centralized administration of de-nationalization is important not only because this is the way it is done in market economies, and not only for the sake of enabling a faster and more accurate comparison of information. Centralized administration is also important because de-nationalization should take place under special political conditions. It appears that when writing the Law on Transformation, the framers disregarded this requirement altogether. They did so, even though the changed political reality would demand that all state actions and interventions not be accomplished in an uncontrolled manner.

The very fact that the legislative concept opened up the channels of bargaining for the transformation of property primarily to enterprise managers attests to political shortsightedness. That is, it should be recognized from the outset that the public views with suspicion any new action to expand the dispositional authority of the state apparatus and the closely related managerial stratum, neither of which have been controlled in any manner thus far. Nothing evidences the mistaken political concept of the Law on Transformation better than the following: None of the institutions established by the law serve to increase control over the apparatus or to establish limitations on actions taken by enterprise managers, and the requirement to enable the review of transactions is frustrated by the lack of centralized proceedings and by the absence of a mandate to publicize information.

Both the nature of competition and the changed political situation would suggest that de-nationalization should take place in a manner different from what is specified in the Law. The most important condition for de-nationalization is that a single, central organization with appropriate authority be in charge of proprietary reform. This organization should be under the control of various interest groups and political groupings, should manage all de-nationalization actions, and should collect and publicize all information pertaining to its function.

The second important functional principle is that the transformation of individual enterprises should take place at a pace scheduled in advance—in conjunction with the advance announcement of the opportunity to acquire property, and the method by which property may be acquired. (Supply and demand must be streamlined.)

The third important basic principle, which also serves openness and provides an opportunity for review, is the enforcement of competition. One should be able to establish a right to acquire individual elements of public property, or individual enterprises or parts of enterprises only by making a public offer. It is also clear that it

would not always be possible to choose from among the various offers on the basis of straitjacket algorithms of general applicability, specified by law. Nevertheless, such criteria would be helpful to experts at this central organization in judging competing offers tendered by persons wanting to acquire property. Similarly it would be conceivable to subject individual offers to preliminary expert examination, to request two or more appraisals from several expert organizations, etc.

The idea that offers received for given enterprises, together with the related appraisals, be publicized, allowing time for additional competing offers could be made a requirement.

One may argue about this process by saying that it is time consuming, bureaucratic, and that it does not permit the acceptance of an apparently favorable offer at a given point in time, and that it prolongs the proceedings and takes the seriousness of the proceedings away. On the other hand, de-nationalization touches upon far more societal interest than would make it permissible to turn our heads away from making comparisons in plain view of the public. Even in market economies with relatively small state sectors, de-nationalization is regarded as an issue of such great societal significance that time seemingly wasted on caution pays off. This is because it is important for society, for the public, to be able to clearly understand what it loses and what it receives in exchange when public property is sold to a group of owners. In the course of de-nationalization the mistake that was made in the course of nationalization should be avoided. At that time the property management system was smashed in the course of a single day by appointing directors from among the workers. Prior to nationalization, that system was able to streamline the Hungarian economy and Hungarian businesses with the rest of Europe, by separating and concentrating management and investment expertise, by taking advantage of the fine-tuned system of owner and investor expectations, and by creating expert property appraisal organizations. The signature on the Law on Transformation, that single stroke of the pen, cannot restore all the conditions needed for the efficient management of property, including the most important element: the owner.

### To Stimulate Property Management

Parts of the Law on Transformation which treat the matter of transforming into corporations like penal sanctions should be discontinued. Just why the enterprises which lose property must be threatened with being reorganized into corporations is incomprehensible—countless other sanctions could be imposed for the loss of property. What should be stressed instead is that the public, the designated representatives of public property, should have the authority and the means to take action against organizations which lose and waste the value of public property. And this is no longer an issue of privatization or of the Law on Transformation, but it pertains to the overall review of the law governing state enterprises instead. One could also put it this way: The

function of being an enterprise manager is subject to challenge; present managers could also be made to compete.

Similarly, another provision of the law which sounds like a sanction, the one which—to use Tamas Sarkozy's words—threatens the so-called "post office box enterprises," should also be discontinued. Post office box enterprises are the ones which transformed their units into corporations and the headquarters remained the sole state enterprise. The law prescribes that enterprises must change into corporations. Instead of such a provision it would be useful if the law were to prescribe that organizations which own parts of property, parts of businesses, stocks, or securities, may operate in either one of two ways. They may become stock corporations, so that their operations become visible and so that the efficiency of their operations may be appraised in the capital market; or they must transfer this function to a professional organization. A provision of this kind would provide sufficient opportunity for intervening operations of property management organizations, which influence investor interests, nevertheless cannot be controlled by investor interests. At the same time, such provisions could also provide incentives to de-centralizing enterprises to become property management organizations, or to hire an expert property management organization which operates in a corporate form.

#### A Contest for Presidents

Whether it is necessary at all to burden the diversification process that began among enterprises with some legal intervention or intervention by a public authority is questionable. Such diversification processes create a more sensible operating mechanism. They transform individual factories and plants into independent corporations, thereby dividing the enterprise's organization into an inner circle which performs the functions of operating property, performance auditing, and central strategic planning, and an outer circle which produces for the marketplace. The above-mentioned provision of the Law on Transformation which has a sanctioning character regards this process as unfavorable or as societally unacceptable. This attitude is manifested by the fact that the Law forces enterprise managers and enterprise headquarters to transform into corporations in the event that such diversification processes advance.

According to one obvious but neostalinist reflex, the law should mandate enterprises which transformed into a cluster of corporations to transfer their ownership shares, their stocks, at a specific pace to the expert center which organizes proprietary reform, for purposes of privatization, or alternatively, that such enterprises themselves endeavor to sell such ownership shares or stocks, then submit the proceeds to the state budget or to some communal capital account. The privatization laws now being prepared follow this outlook.

In contrast, a more elegant and more refined solution is also available. Using this solution the enterprise headquarters' property management, its property appreciation function,

could be recognized by providing some kind of revenue in the form of a fee, if the enterprise headquarters that transformed into a property management organization privatize and sell the corporations it organized.

Another possible alternative would be for the law to provide that enterprise headquarters performing property management functions must jointly establish investment companies, to which the stocks administered by the enterprises would be regrouped, and the business shares controlled by the enterprises would be transferred. These investment companies could be required by law to formulate appropriate portfolios. The managing director positions of such investment companies could be applied for by the presidents and managers of the enterprises whose property management center functions they exercised.

Although in the present anti-management atmosphere the following may sound like a rather bizarre proposal, it would not be inconceivable for the Hungarian credit system to provide loans at favorable terms, thereby enabling managers of property centers to purchase majority control in any corporation, even in those which may belong to their enterprises. In this way enterprise managers would be motivated to earn a living by using their abilities in the form of establishing more streamlined service and production functions. This positive incentive must be coupled with a certain negative incentive, one that defines what size payments the enterprise property centers that came about as a result of decentralization and diversification would have to continuously pay to the state capital budget, because in earlier days these companies received capital shares owned by the state. The capitalization of state property presumes increased efficiency, and the relatively high level of capital efficiency dictates large return on capital. By introducing special withdrawals managers of property centers could be motivated to endeavor to achieve the presumed high level of efficiency out of previous state capital, alternatively that they endeavor to sell, privatize, or offer for privatization the stocks or business shares as soon as possible.

#### Transitional Paths

Enterprise managers who organized corporations in the interest of retaining their power positions and exercising their power in a more sensible manner should not be threatened by not permitting them to enjoy the fruits of their labor, once they have successfully accomplished diversification and decentralization. Accordingly, it would be necessary to find such transitional paths which permit these enterprise managers to retain their positions, but at the same time would force them to compete. They would be forced in this kind of sensible competition to exercise their already acquired and further developed abilities. In other words, groups of enterprise managers who have already taken steps to formulate a more sensible organizational and operational order should be rewarded. Accordingly, the enterprise manager should be commissioned or authorized to seek new

owners, or to direct privatization or socialization processes only in enterprises which have gone through the process of establishing corporations.

In such corporations, enterprise managers could or would have only an obligation to report to the central expert committee which directs and controls proprietary reform. On the other hand, in regard to enterprises or groups of enterprise managers which have thus far not even attempted to accomplish diversification and form corporations, the expert committee directing proprietary reform would take into its own hands the search for new investors, the solicitation and evaluation of offers, and the authority to transfer the enterprise's property, and the dispositional rights over such property which are embodied in stocks and business shares.

## POLAND

### Solidarity Executive Commission on Relief Funds, Premiums

90EP0228A Warsaw TYGODNIK SOLIDARNOSC in Polish No 26, 1 Dec 89 pp 22-23

[Text of Commission report: "On the Proceedings of the National Commission"]

[Text]

### On Dues and Benefits

#### I. Membership Dues

1. The base amount of membership dues payable by working members of the union is set to be 1 percent (one percent) of the basic salary, taking into account all pay bonuses, except allowances, awards, and family benefits.

2. In justified cases, an enterprise commission may set higher dues with the consent of a majority of the membership but not greater than 2 percent (two percent) of salaries, including bonuses as specified above. The entire amount of dues in excess of 1 percent remains at the disposal of the enterprise commission.

3. The following monthly dues are set for other members of the union (unemployed, retirees, annuitants, persons on child-care and care-giverleave, and students at enterprise-run schools):

a) 0.5 (one half of one) percent for incomes below the national average wage;

b) 1 percent (one percent) for incomes above the national average wage.

4. All proceeds by virtue of dues paid by the unemployed, retirees, annuitants, and persons on child-care and care-giver leave remain at the disposal of the enterprise commission.

5. In exceptional cases, an enterprise commission may pass a resolution exempting an interested member of the union from dues or reducing them at his request.

6. The following distribution of membership dues is established:

a) 75 percent of the proceeds are retained at the disposal of the enterprise commission;

b) 21 percent of the proceeds are transferred to the Regional Board;

c) 4 percent of the proceeds are transferred to the National Commission through the Regional Board, out of which the National Commission allocates 1 percent for financing branch, professional, and other sections at the national level.

7. Enterprise organizations in the cooperatives of the handicapped transfer to the Regional Board 10 percent of proceeds from the 1 (one) percent membership dues.

8. Enterprise commissions must transfer 25 percent of dues to the Regional Board on a monthly basis whereas the Regional Board must transfer 16 percent of its proceeds from membership dues to the National Commission on a monthly basis.

#### II. Statutory Benefits

1. Statutory benefits amount to:

a) 27,000 zlotys on the birth of a child;

b) 20,000 zlotys on the death of a family member;

c) 41,000 zlotys on the death of a member of the union.

2. Enterprise commissions may pay statutory benefits in amounts greater than those set in this resolution provided that the principle of financial self-sufficiency is maintained.

3. Guidelines for the payment of statutory benefits:

a) benefits by virtue of the birth of a child:

1) are paid to both parents;

2) are paid separately for every child born;

3) are also paid for a stillborn child;

4) are paid to a single mother in the amount increased by 100 percent.

b) benefits by virtue of the death of a family member:

1) are paid to all eligible members of the family in the event of the death of a spouse, parent, in-law, dependent child, or an entirely dependent person;

2) are also paid to one of the parents for a stillborn child.

c) benefits by virtue of the death of a union member: only 1 (one) benefit is paid to the person who documents incurring the costs associated with the funeral. The payment is made by the enterprise commission of the late union member.

#### 4. General guidelines:

a) 6 months of union membership are required in order to qualify for benefits (this is not applicable to anyone in the period prior to 30 June 1989; after that date, the length-of-membership requirement does not apply to people taking their first job);

b) furnishing birth and death certificates and documents determining the degree of relationship is necessary;

c) it is necessary to file for the payment of benefits within 6 months of the date of birth or death;

d) in all cases not regulated by the above guidelines, the decision belongs to the enterprise commission.

5. Providing grants-in-aid is the responsibility of the enterprise (or shop) commissions. The amount of grants-in-aid depends on the opportunities an enterprise commission has and the needs of the applicant, provided that the principle of financial self-sufficiency of the enterprise commission is maintained.

6. Regional Boards must refund statutory benefits in the event there is a documented lack of funds for their payment by an enterprise commission despite properly managed finances. Paying benefits in an amount greater than specified in point 1 of this resolution does not give rights to a refund from the Regional Board.

#### Company

With a view to ensuring the economic self-sufficiency of the union and giving various elements of the union an opportunity to conduct independent economic operations, the NSZZ Solidarity KKW [National Executive Commission] consents to setting up a company named "the NSZZ Solidarity Economic Fund Inc." with original capital of 100,000,000 (one hundred million zlotys) of which the NSZZ Solidarity will be the only partner.

The NSZZ Solidarity National Executive Committee sets up in the founding charter of the company a Board of Trustees consisting of:

1) Jacek Merkel (Gdansk)—chairman of the council, 2) Mieczyslaw Borawski (Upper Silesia)—deputy chairman of the council, 3) Jan Dziadon (Little Poland)—deputy chairman of the council, and members of the council: 4) Bogdan Borusewicz (Gdansk), 5) Antoni Gorazd (Lower Silesia), 6) Stefan Jurczak (Little Poland), 7) Lech Kaczynski (Gdansk), 8) Maciej Lopinski (Gdansk), 9) Andrzej Milczanowski (Western Pomerania), 10) Mirosław Odorowski (Mazowsze), 11) Janusz Palubicki (Great Poland), 12) Lukasz Szymanski (Great Poland), 13) Krzysztof Zabinski (Torun).

#### Economic Foundation

The economic crisis which Poland is going through causes continuous declines in the standard of living of our society. The Independent Self-Governing Trade Union Solidarity is called upon to defend the dignity and interests of employees and their families.

In conjunction with this, the National Executive Commission of the NSZZ Solidarity believes that it is feasible to set up the Economic Foundation of the NSZZ Solidarity with original capital amounting to 100,000,000 zlotys (one hundred million zlotys) which will develop operations in the following specific spheres:

a) policy of rational employment; b) rational development of the national economy; c) occupational safety, hygiene, and standards; d) social security; e) health care for employees and their family members; f) ensuring conditions for the professional improvement of employees; g) reinforcing the family and protecting family life; h) improving the housing and social situation of employees and their families; i) control and analysis of the cost of living of employees and their families; j) development of education and culture in the employee community; k) protection of the natural environment of man in keeping with the statute presented.

The NSZZ Solidarity National Executive Committee nominates the Council of the Foundation consisting of:

Jacek Merkel (Gdansk)—chairman of the council and members:

Bogdan Borusewicz (Gdansk), Stefan Jurczak (Little Poland), Lech Kaczynski (Gdansk), Maciej Lopinski (Gdansk), Włodzimierz Mekarski (Lower Silesia), Andrzej Milczanowski (Western Pomerania), Mirosław Odorowski (Mazowsze), Janusz Palubicki (Great Poland), Alojzy Pietrzyk (Upper Silesia), Zbigniew Romaszewski (Mazowsze), Lukasz Szymanski (Great Poland), Krzysztof Zabinski (Torun).

#### Partners

The National Executive Commission resolves that the NSZZ Solidarity National Executive Commission, and in the future the National Commission of the NSZZ Solidarity, will perform the function of the meeting of partners in the company named the NSZZ Solidarity Economic Fund.

#### Diora Enterprise First 'Joint Stock Company'

90EP0195A Warsaw RZECZPOSPOLITA in Polish  
24 Oct 89 p 3

[Article by (am): "At Diora: People's Capitalism"]

[Text] The date of 14 September 1989 may go down in economic history as the first day of the process of economic restructuring in Poland, for on that very day in Dzierżonów, in the Diora radio plants, the first joint stock company [SA] was established.

The Regional Court in Walbrzych registered it formally. In a single day, the state enterprise in existence for over 44 years became a jointly held company—the property of 4,126 individuals and the state treasury. Some see this change as a selling out of national interests, others as the enfranchisement of the nomenklatura system, and still others as a return to normalcy. The most interested parties—beyond the more than 6,000 members of the workforce—expressed their support of the change by buying up the 7,358 shares of stock.

### Why They Are Buying

What guided their action? Wladyslaw Kurzeja, a plant employee with many years of service, the former chief bookkeeper, now retired, was among the purchasers of stock, but he admits that the motives that guided him were more than just economic ones. From an economic viewpoint, buying foreign exchange and banking it at a high rate of interest would have made more sense, but Mr Kurzeja wanted to boost his plant's efforts to make the technological leap represented by Diora's upcoming initiation of the serialized production of video cassette recorders. The present chief bookkeeper of the plants, Michal Slodziak, was guided by similar considerations in his decision to purchase (a decision made by other company board members as well) up to five shares having a nominal value of 250,000 zlotys each, although the employees paid in only the first installment of one-fourth of the value of the stock.

### An Ingenious Construct

While the establishment at Diora of a joint stock company set a precedent, it was also the culmination of many months of efforts by a group of top people working with the plant's director Eugeniusz Nowak, assisted by the authority of legal experts and economists from the Economics Academy in Wroclaw and the Polish Academy of Sciences [PAN]. Dr Andrzej Szajkowski from the PAN State and Law Institute was responsible for the ingenious construct that is the statute itself, as well as the supporting legal argumentation that served to convince the special preparatory team appointed by the minister of industry at the end of April 1989 for the purpose of rendering opinions on the draft of the restructuring. This ingenuity consists of a competent association of five legal documents: the trade code, the civil code, the law on state enterprises, the law on the financial management of state enterprises and the Council of Ministers decree concerning the implementation of the law on state enterprises.

### Disputes

The proposed procedure and manner for restructuring Diora, the state enterprise, evoked heated arguments and opposition from representatives of the Ministry of Finance while the preparatory team was still deliberating. The legal regulations are not precise on such issues. In Dzierzoniow, the simplest solution was adopted: to effect a restructuring, even though according

to the law on state enterprises, it would have been possible to liquidate the firm first and create a stock company from its assets.

There was also some discussion of appraising the plant's assets on the basis of the regulations contained in the aforementioned law on the financial management of state enterprises. According to the representatives of the Ministry of Finance, this law relates primarily to the principles of calculating a dividend earmarked for the state budget. State treasury assets in the form of the so-called parent fund were appraised based on 31 December 1983 prices. Perhaps these disputes will be resolved by the law on the national wealth fund prepared through an initiative of deputies from the Sejm Commission on the Economic System, Industry and Construction.

### Rescue in a Joint Stock Company

Why did a joint stock company have to be created? Members of the board and the joint stock company's supervisory councils answered these and other questions for the representatives of more than 100 industrial plants who attended a symposium on the topic "Restructuring a State Enterprise Into a Joint Stock Company on the Model of the Diora Radio Plant in Dzierzoniow." The symposium was specially organized to celebrate the creation of the joint stock company. At the beginning of 1989, computer simulations were done. These showed that given Diora's bank debt of 9 billion zlotys and the need to spend 20 billion zlotys for investments related to embarking upon the production of video cassette recorders, maintaining state enterprise status would increase the debt in 1990 to 14.6 billion zlotys and would necessitate the paying of a dividend amounting to 1.4 billion zlotys annually. The savings amounting from creating the stock company was calculated at 12 billion zlotys. The chairmen of the joint stock company, full of optimism, estimate that between 1991 and 1995, Diora will have 56 billion zlotys at its disposal. Of this, it will be possible to earmark a significant portion for further development, capital spending and wage increases.

Beyond the issuance of the so-called privileged stock reserved exclusively for employees, workforce interests are guaranteed in the joint stock company's statute through a 35-percent share of the control package, while the state treasury holds only a 65-percent share. In accordance with the statute, the making of strategic decisions requires the approval of at least three-fourths of the stockholders. In order to protect effectively the interests of his colleagues, Teofil Frankowski, a Solidarity activist, was forced to quit his job after working 21 years at Diora and to shift over to supporting himself through a private locksmith's firm that works in close conjunction with the radio plant in order to be able to sit on the SA's supervisory council. The provisions of the trade code require compliance with this formality.



During the preparation of the statute, Solidarity advisors also negotiated an entry that constituted a sort of protective umbrella for employees that were let go or were transferred to other positions. According to these provisions, the joint stock company has the obligation to organize professional retraining courses without cost to the laid-off employees.

#### A Vote in the Affirmative

Those earlier favoring the restructuring of Diora into a joint stock company included: the general assembly of employees, the employee council, trade unions, the PZPR plant committee and the municipal and voivodship authorities. Whereas the minister of industry gave his approval for the restructuring, in his decision he stressed the need to maintain and continue the enterprise's previous activity, to update and enrich the product assortment and to obtain the financial means, through the issuance of stock, to enable the production of approximately 100,000 video cassette recorders annually.

While the Diora joint stock company has not yet given the final word, it is already announcing the issuance of the next round of stock amounting to 10 billion zlotys, this time generally available shares. The value of one share is set at 1 million zlotys. Distribution will be handled by a stock market specially created for this purpose with its headquarters in Wroclaw. And so, after the Drewbud stocks and the issuance of state securities, will we now have another opportunity to make a sound investment of our money?

### YUGOSLAVIA

#### Excessive Taxes Require 'Radical Fiscal Reform'

90EB0146A Belgrade DUGA in Serbo-Croatian  
14-27 Oct 89 pp 18-20

[Article by Dr. Zarko Ristic: "The Toilet Paper of the Public Treasury"]

[Text] The classical financial theory at one time defined the minister of finance quite aptly: "The minister of finance is the guard dog of the public treasury." Our finance ministers, unfortunately, have not been that, since they became directors of political expenditure and protagonists of Parkinson's famous law about the "organized wastefulness" with no results of work on the part of an administration whose capacity to work declines directly with its own expansion and expenditure of revenues collected through taxes. That is, they adhere strictly to the saying of the "sun king" Louis XIV: "L'Etat, c'est moi"—"The state, that is me." Thus, a state spoiled by taxes was created for worthless fill-ins for the working class.

#### The Eggs of the State

Our finance ministers, however, think like the former Count de Montalambert: "Taxes are the mother's breasts

which nourish the government. The government is the instruments of authority, the tax is a little god." And indeed, in our country Marx' observation has been borne out: "The entire social superstructure is contained in a single seed—in taxes." Thus, a time of "heavy taxes" ensued in the socialized sector of the economy. Even the taxes in agriculture became "socialist" degraders of the laws of biology, although taxes, at least so far, have not been used to raise wheat (just as interest has not been used to feed livestock). The only exceptions are the insatiable bureaucratic appetites, since the tax hen lays state eggs even when the peasant does not have a hen. That is why all our initiatives to reassess the expensive and inefficient superstructure in the context of political verbalism about taking the burden off the economy have come to nothing, since the doubled social overhead, in the flood tide of formalism and normativism, always procured resources for itself even at the price of narrowing the material bases of self-management and legalizing deficit financing of outsized public consumption, in spite of the imperatives for stabilization and development at the present time.

Our finance ministers, then, should know that budget is a dangerous word not because it comes from the Celtic word "bulga" and which means a "leather bag," but because the minister of the government comes before Parliament and opens his "little leather bag," presents the proposal of the state's revenues and expenditures, and because he uses in his speech the vocabulary of the "theory of sacrifice." Thus, the taxpayers have a grudge against the "fiscal minister." Lenin was right when he said: "If anyone does us in, it will be scoundrels in our own ranks." Was the rebalancing of the federal budget "the behavior of scoundrels" in the campaign to take the tax burden off the economy and the workers?! If that is so, then taxes are becoming the "economic basis of the ruling machine" (Marx) for eradicating the taxpayer.

The notorious rebalancing initiated the procedure to amend the budget, that is, change (upward) revenues to cover expenditures already made over several quarters, in the course of the year. This is done by the Federation, and it has had the "effect of a demonstration" on the republics, the provinces, cities, and opstinas. And since a "vassal state" cannot press the bill for rebalancing on the republics and provinces, the "self-managing" minister of the "self-managed" ministry for "self-managed" finances puts on the tax list a "new" tax on luxuries, scorning the old canard that every old tax is good and every new tax is bad.

#### Earnings From the 'People's Pain'

Yugoslavia (because of everything known and unknown, economic and uneconomic, fiscal and nonfiscal, political and nonpolitical, internal and external) has found itself with respect to the level of inflation at a high place in the world, immediately after Nicaragua and Uganda, but far ahead of Mexico, Argentina, Brazil, and Israel. In just half a year, tomatoes, as though they were something from paradise, became 7.5-fold more expensive, sugar

and bacon fivefold, lard and eggs fourfold, dried and smoked meat, coffee, and honey 3.5-fold, and so on. But from August to August the world record was broken for price increases: a liter of milk became 15-fold more expensive, a kilogram of sugar 14-fold, a liter of oil 11-fold, a kilogram of pressed ham 10-fold. Even toilet paper has unfortunately not held back in the explosive rise of prices; the federal state has proclaimed it to be a luxury just in order to make money on the "people's pain." The little pieces of paper used for personal hygiene are now driving people to think about "alternative ways of wiping themselves" in order to escape the assault of the turnover tax. And when toilet paper is filling the state budget, then fourth place with respect to inflation in the world is really wonderful. Soap escaped treatment as a luxury, but almost all products in the perfume line got caught. Tax in this "luxury" is the kind of which production films are made—"body odor," but also a justification for future compensation for "shaving programs" for women's legs and men's beards. It was ignorance here to ignore what Smith noted long ago: "Every tax must be organized so that it takes as little as possible from the people's pocket," or what Ricardo added to that: "The best tax is the lowest tax." But what use is it when they had no one to tell that "the sharp scissors of the tax can shear the sheep only to the skin, not beneath it."

The Yugoslav tax system has passed through numerous phases of development in its evolution. "Tax roses" once bloomed in it in the form of fees on tractors, fees on wagons (ox carts with iron axles), fees on livestock (horses and oxen), fees on farm implements (kettles for distilling brandy, threshing machines, and mills), fees on hybrid grapes (Othello Muscat), property taxes (on hogsheads and oil presses), a tax on the use of manpower, a dog tax, a supplemental tax on rice, Marasquino cherries and hops, and surtaxes. Yet this was thought to be a step forward from primitivism in the tax field: the tax on porches, the tax on chimneys, the tax on doors and windows, and the poll tax. That was how we arrived at the "modern" tax system consisting of 450 taxes, contributions, parafiscalities, and fees, which are regulated by 5,500 laws, adopted by 6,800 persons exercising public authority, and spent by 32,000 public officials. So those are the characteristics of a fiscal state in which the left hand does not know what the right hand is doing and in particular no one knows who is supposed to call closing time. It is usually that way when a government invents an economy with internal combustion using the tax like a match, and when the principal occupation of all our governments is to raise taxes as though they were livestock, feeding them tax concentrate. In the theory of bureaucratic thinking and paragovernmental invention, nothing is missing except a military tax, a tax on bachelors, and a tax on people who are divorced, taxes which do exist in certain East European socialist countries. No one, however, is even thinking about the possibility of instituting a tax on bureaucracy in the form of a tax on Rika for Mikula, although that would be a kind of self-taxation in the style of Engels. Why should the state

beat its head against the wall because of the bureaucratic pocketbook when it is easier to hit ordinary people with a tax on luxury like the former poll tax. And that is why we have such things as "tax immunity" and "tax exploitation."

### The State's Pocket Billiards

The luxury tax is an addition to the turnover tax, which "equally" affects all consumers regardless of their taxing power—economic capability and buying power. The state uses this tax to put its hands in the pockets of citizens permanently, not in order to play pocket billiards, but to grab even the last dinar. Because of the state's legalized right to pick pockets, members of the lumpenproletariat are advised in future to wear pants whose pockets have holes.

The turnover tax has grown to become an ideal instrument for collecting government revenues regardless of the decline in real personal income. Merely raise the rate of the tax, and the public treasury will be filled even if personal consumption is declining. Thus, this tax is imposed on the poor, who contribute more to the budget treasury than the rich, who either transform their growing savings into foreign exchange and real estate, or they put it in term deposits in the bank with high rates of interest, on which no tax is paid. And this is the idyllic picture of a true tax oasis, that is, a tax heaven for multibillionaires, whose taxes are paid by the members of the lumpenproletariat off of their plate; since the turnover tax is a "progressive tax in the negative direction" (Lasalle).

Marx and Lenin said at one time that the burden of indirect taxes falls on the back of the working class precisely because of the regressive effect of the turnover tax. Since it is paid under anesthesia, as it were, the state likes the turnover tax "better than the best dress" (Shumpeter), since "it sticks like wet plaster to all the joints and pores of the economic body." And truly, this tax has become the most abundant source of resources for buying "cosmetics, wigs, and prosthetics" for decrepit political persons from the state treasury, since everyone alive is paying it in the price of soap, pots and pans, shoes, underwear, beer, cotton, and cigarettes—from the worker to the beggar.

As an integral part of the sales price of goods and services, the turnover tax raises the level of prices, that is, inflation. As such, it also increases the cost of living and forces a rise of personal incomes, on which taxes and contributions paid on personal incomes are computed and then passed on to the funds of the enterprise. Ultimately, it is a deception to suppose that the turnover tax does not in a camouflaged way burden the income of the economy for the "well-being" of the government administration and at the price of paralyzing anticyclical tax policy and degrading what the standard of living is made up of from the standpoint of social welfare. The inflation deliberately incorporated into the system as an implicit form of taxation of the surplus product suits the

bureaucracy and the government and parabudgetary clientele, since they get a guaranteed growing volume of resources by taxing nominal amounts, that is, fiscal bases that have been pumped up by inflation, even though they are passed on to the operating costs of economic entities. The built-in economic instability, accordingly, suits the absorbers of the surplus value of labor in spite of their oft-repeated verbal advocacy of implementing gradually the policy of taking the burden off the economy.

### Dry Socialism

However, fiscal relief of the economy and the rebalancing of the budget do not go together, they do not fit with one another, since behind the locked door of the state treasury everything is boiling. That is, directly or indirectly the government has mutilated the potential of business funds, which already are tied to the resources of someone else. But that same state has never advocated fixing the tax obligations of the economy, especially when production, income, and accumulation are stagnant or declining. The voice of the income "producers" has always drifted off either downwind or upwind. Only recently has that echo been clearly formulated: "The demands of the workers to take the burden off the economy are demands for fairness." It is high time, then, that we learned a lesson from Laffer, who has once again resolved the old paradox: "The state can increase its tax revenues by lowering taxes." The thesis is astounding in social terms, but economically irrefutable. So, our financial intelligence must not become substandard goods on the domestic market with its bargaining over the level of taxes, since time argues that we bury our national tax games in which we are playing with self-destruction. So, ministers of the government, remember: "The best budget is the smallest one, and the best tax is the lowest one." A wonderful basic principle of sound government financing from the end of the 19th and the early 20th century. Budget spenders, come to your senses, since socialism's sources of financing dried up 25 years ago. Radical fiscal reform is the only way to get out of the tax jungle, out of the trap of SIZ [self-managed community of interest] vulgarity, the degenerated budget, the shattered leukemic superstructure, and the carcinomic, but the FEC [Federal Executive Council] was not smart enough to see that, since it wants to "rock" the tax form all the way up to 1994 through the so-called three phases.

Two steps back, one in place is a true tax fox trot, demonstrating that changing the tax system is the weakest link in the chain of the reform. Bureaucratic logic strives to preserve power behind the scenes, since the state does not stick its hand into the citizen's pocket for general well-being, but for its own interests. Thus, every citizen is forced in the future, as soon as he leaves his house or apartment, to pay something to his opstina, to his republic, and his Federation, without even himself knowing what it is. The paying of taxes begins as soon as he says "good morning." Every lady entering the supermarket is greeted by the government in tax fashion, that is, by granting a pardon to bread and milk. But if the lady exaggerates and also purchases coffee, then the state

takes all of 85 percent for itself. And if the lady fills her market basket, the state will unseen be packing taxes into the same basket at her expense. A basketful of products and taxes. But that same lady is on the move and gets in her car, for which the state has already taken its 62-95 percent from her. At the gas pump, the lady pays once again (130 percent, depending on the octane number), since she has to get to work. Along the way, the lady lights a few cigarettes, on which she also pays a tax as high as 62 percent. On the job, the lady wants a little something to eat, and again pays a tax going as high as 40 percent. When she gets home after a hard day, the lady turns on the television set and the washing machine and again pays an 8-percent tax. Before sleeping, the lady wants to sweeten a bitter day with a chocolate, on which the tax is 10 percent. She lies down tired in the bed, where the government is waiting for her with its 12 percent on the boards of which it is made. Dreams about taxes concern the day which has been a failure in economic terms and a less expensive tomorrow. No rest from taxes, then. Taxes have even made her afraid, so that love does not even occur to her. If our long life were to depend on replacing love with taxes, where would we end up. But Burke was right when he said: "Just as it is not possible to love and to be wise, likewise is it impossible to tax anyone and to be happy." But it was Resler whom we found most convincing because of the force of his message: "Taxation is the art of plucking the goose so as to produce as little honking and as much feathers as possible."

### Going Backward Into Europe

Socialist power has never accepted public control of the expenditure of tax revenues, nor has it ever advocated direct taxes as a form of direct communication between the government and the citizen. So the public power has advocated indirect taxes to finance privileges which are not visible to the taxpayers. And when it formally advocated certain direct fiscalities (for example, taxes and contributions paid out of the personal incomes of workers), it tried not to put the individual in the position of the taxpayer by inventing a mechanism for passing the tax burden onto the savings of the enterprise.

The reform of the economic and fiscal system is being prepared by agreement on the pharmacist's scale so as not to threaten anyone's interests in the process of restructuring in the direction of a market economy. In that context, the present FEC favors carrying out the tax reform in three phases over a period of 5 years. The first phase would last until the end of 1989, i.e., up through enactment of the Law on the Bases of the Tax System and the Social Compact on Reconciling the Tax System and Tax Policy, the new Law on the Turnover Tax, and the Law on the Public Revenues Service. The second phase would begin in 1990 and would last 2 years, since the system of contributions would be reassessed through the future constitutional amendments and an overall tax on personal income would be introduced. The contributions, then, would be retained only in the domain of

social insurance. The other forms of so-called community consumption would be switched over to taxes. Instead of the individual method of taxing citizens, a synthetic income tax would be introduced with a progressive rate schedule. Of course, in the third phase, up to the end of 1994, an added value tax would be introduced to replace the present turnover tax. This would allegedly bring the Yugoslav tax system closer and into conformity with the tax systems of the EEC countries from the formal standpoint.

However, the FEC's "fiscal documents" should be rejected, since the Draft Law on the Bases of the Tax System, the Compact on Reconciling the Tax System and Tax Policy and the Bases of Reform of the Fiscal System do not constitute pivots of radical reform. The mistake is that it accommodates those who want the Federation to leave the tax sphere once and for all and establish long-term fiscal sovereignty in the republics and provinces. Another mistake is that the taxes and contributions are not regulated by one law on uniform foundations, especially after the notorious SIZ's have been abolished and public funds established. Another mistake of the FEC is that the types of taxes crucial to the functioning of the unified Yugoslav market are not just the four (the tax on the sale of products and services, the tax on corporate profit, the tax on the personal income of workers, and the tax on revenue from international transportation activity), but also include other taxes (the tax on farming and the crafts and trades, the property tax, the tax on income from property, etc.). Of course, the mistake is that the ranges of the tax rates, exemptions, and deductions were not worked out uniformly for the entire country, especially when it has to do with stimulating exports, creation of new jobs, new technologies, joint ventures, regional development, changing the economic structure, etc. Accordingly, the new Agreement on Tax Policy, which establishes the tax of importance to the unified Yugoslav market, is ultimately an extension of the consensus economy, which comes into

collision with the FEC's integral market. Fiscal reform, then, is full of fundamental political commitments, differences concerning the powers of the Federation, tax skirmishes over the notorious "four taxes," preservation of regional tax sovereignty, preservation of the horizontal fragmentation of community needs and local network of the social services, "skipping over" the overbooked government and paragonovernmental overhead, and the multiplied SIZ clientele and the love affair with indirect taxes as "the 8th of March roses of the turnover tax."

The Federation has lost almost all its powers in the fiscal sphere on the basis of the present institutional arrangements in the legal system. It seems that even under the new conditions the Federation cannot recover the fiscal sovereignty it has lost, although at first it seemed that the constitutional amendments (adopted in late 1988) offered sufficient room for a more radical fiscal reform. The danger threatens that the regional dimension of the tax system will remain untouched, and there will be no long-term possibility of unifying the fragmented fiscal system, which has even eliminated the financing of social service expenditure from the tax system. The chances of success of the tax reform are quite small until there is a reduction of the exaggerated independence of entities which finance public purposes, who "can increase or reduce the tax rate whenever and however much they like." The chances are also slim because the FEC wants taxes to be paid exclusively on the basis of paid sales and to reduce the grace period for computing and paying tax advances to 3 days. Of course, the chances are also slim because certain federal units (such as Slovenia and Croatia) are already rejecting radical changes in the tax system out of a fear of the so-called centralization of fiscal policy. So they tend toward retaining the present solutions, which are in keeping with the consensus economy. So that a 19th century tax system is being set up by agreement to implement the agreed entry backward into Europe in the 21st century.

## HUNGARY

**Pensions To Be Boosted to Subsistence Level**

25000575 Budapest NEPSZAVA in Hungarian  
19 Dec 89 pp 2-3

[Unattributed report on Parliamentary proceedings: "All Low Pensions Will Be Supplemented To Reach the Minimum Subsistence Level"]

[Excerpt] [Passage omitted] Social Welfare and Health minister Judit Csehak submitted a legislative proposal concerning the 1990 Social Security Fund budget and told Parliament that the social security fund established a year earlier was subject to fair criticism. The ministry endeavors to make far reaching use of these critiques, nevertheless it cannot disregard the social and economic circumstances.

"In the present crisis situation the government has been unable to undertake a comprehensive reform of the pension and child support system. On the other hand, the government cannot avoid taking the indispensable action of offsetting the inflationary effects, of putting an end to the long-standing injustices in the pension system as that pertains to widows, and in regard to the expansion of pension provisions so as to reach at least the subsistence minimum. To accomplish all this, social security must borrow 15 billion forints to boost the fund. The obligation of local councils to deliver provisions will also increase significantly, and in the future they must contribute an increasing share in maintaining and operating the institutional system. All of this will contribute to a situation in which the operating conditions of Hungarian health care delivery provisions is more secure. There will be no change in 1990 regarding the order in which institutions are financed."

Thereafter Csehak said that a segregated health care fund of 66 billion forints will be available in 1990. Relative to provisions for the elderly she said that the planned 24 billion forint fund will permit the provision of an average of 800 forint pension supplement starting at the beginning of next year. This amount preserves the real purchasing power of pensions up to the level of the average pension, i.e. 5,300 forints, considering a 15 percent increase in prices, according to the minister.

Mrs. Szirtes, Dr. Erika Tomsits, a representative (Budapest, voting district No. 22) and chairwoman of the National Assembly Committee on Social Security, reported the committee's views. A consensus of the government and of the committee was reached on most issues.

Chairwoman Tomsits further reported that based on the committee's decision the government will recommend the allocation of 24 billion forints, rather than the 21 billion forints originally proposed to cover pension increments next year. This would mean an average monthly increase of 800 forints. The committee supports the idea that this amount should be distributed on the

basis of the amount of pension received, and the prior time spent in retirement. This would be only a first step in offsetting the expected inflation, because the legislative proposal provides that in the course of the year compensations be adjusted consistent with actual consumer price levels.

Mrs. Laszlo Kopp, representative (Borsod-Abaúj-Zemplén County, election district No. 21), underscored the idea that laws providing for the care of the elderly should be consistent with given circumstances. In her view, the separate management of the Social Security Fund represents an experiment by the government. It has no measurable effect, even though the experiment is guided by good intentions. Fair distribution is the key issue, since the legislation provides for the 1990 amounts and increases of pensions.

Thereafter Mrs. Laszlo Lestar, representative (Budapest, election district No. 51), stated that increased social tensions threaten social stability. Society may become unstable because the Hungarian social security system is inadequate for performing its function. One of the main concerns is a significant drop in the real value of pensions. Thus, pension reform becomes unavoidable, the present system of reserve accumulation must be changed, the retirement age must be increased, and the various exceptions must be discontinued. Mrs. Lestar believes that it is likely that under the new system pension levels would decrease, but at least it would be possible to preserve the real worth of pensions.

Dr. Peter Biacs, representative (Budapest, election district No. 30), reported the legislative proposal recommended for adoption by the National Assembly Committee on Agriculture after lively debate, and was pleased to recognize that this was the first time that the Social Security Fund has presented itself with an independent budget, and has built on the existing institutions of decentralization, including pension disbursement, at plant locations.

Representative Karoly Hellner (Budapest, election district No. 32) made reference to an earlier proposal of his, according to which the government should not reach an agreement with the National Council of Trade Unions [SZOT], but with Parliament instead. Since he submitted the proposal his initiative has become a reality in part, because SZOT was left out of the direct negotiations, nevertheless it took part in the workings of the Committee on Social Security. Since representatives also take into consideration the interests of their retired constituents, it is incumbent upon Parliament to decide how they want to distribute the 21 billion forints to be spent on pension increases.

Thereafter Minister Csehak summarized the debate. In individual responses to each representative's suggestions she acknowledged the fact that indeed, retired persons had been treated unfairly since 1985, but she added that since they are going to supplement the low level provisions of persons retired prior to 1985 so as to reach the

minimum subsistence amount, the number of pensioners who retire later, and whose pension does not reach the minimum level, will substantially decrease. This is because pension amounts established in recent years are much higher, and one may assume that there are only a few whose pension payments amount to less than 6,000 forints. This issue pertains mostly to women, and although this constitutes discrimination, one must consider the fact that as a result of a relatively low retirement age applicable to women, females do have an opportunity to acquire supplemental income. Further, the minister said that already the previous proposals concerning changes in pension provisions contained the idea that each working year shall be compensated at a uniform percentage of pension increment. She expressed hope that beginning in 1991, new pension criteria will be responsive to requirements.

Responding to floor remarks concerning the extension of child care services, Csehak said that she took the position that at this time one should utilize the budgeted funds and that the extension of Gyed should be dealt with in the course of the year. She expressed her opposition to a proposal which called for Parliament to decide

the specific distribution criteria of funds allocated for pension increases. In her view this issue will be resolved when a separate governing body overseeing the pension fund becomes operational.

A vote was called. In the framework of a lengthy voting procedure, disrupted twice by Minister Csehak to clarify individual details concerning the issue, Parliament voted on proposed amendments, and, together with the amendments, adopted the Law concerning the 1990 Budget for the Social Security Fund. Similarly, the National Assembly adopted provisions specified by the Committee on Social Security concerning individual issues affecting the Social Security Fund. Among other matters, these include a proposal to the effect that in the course of reaching settlements concerning the property of the Hungarian Socialist Workers Party [MSZMP], the Social Security Fund receive priority consideration, that it be entitled to a certain part of the property without having to pay compensation, that the money contained in the fund be administered as a segregated fund by the Hungarian National Bank [MNB], and that the MNB pay interest after the money contained in that fund. [passage omitted]

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